



# Doing Business in Bosnia and Herzegovina:

## 2016 Country Commercial Guide for U.S. Companies

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### Bosnia and Herzegovina (BiH) 2016 Country Commercial Guide

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# Doing Business in BiH

## Market Overview

- Bosnia and Herzegovina (BiH) is a transitional economy with a population of approximately 3.8 million. Per capita GDP in 2014 was \$4,780 with total nominal GDP of approximately \$18.4 billion. BiH's Central Bank reports 2015 GDP growth at 2.8 percent. The Central Bank estimates that GDP growth in 2016 could range between 2.3 percent and 3.1 percent depending on successful implementation of reforms, while the IMF and EBRD projected growth of 3 percent. The World Bank is less optimistic, projecting growth at 2.6 percent in 2016.
- BiH has been a potential candidate country for European Union (EU) accession since 2003. Although BiH's progress towards EU accession has been slow, the country's Stabilization and Association Agreement (SAA) entered into force on June 1, 2015. BiH submitted its formal application for EU membership on February 15, 2016.
- According to the BiH Central Bank, foreign direct investment (FDI) totaled \$420 million in 2014 and \$180 million in the first half of 2015, as compared to an all-time high of \$2.1 billion in 2007. The majority of investments in 2012-2015 came from Russia, Austria, Croatia, Serbia, Kuwait, and the United Kingdom.
- BiH consists of two entities: the Federation of BiH (the Federation) and the Republika Srpska (RS). A third, smaller area, the Brčko District, operates under a separate administration. The Federation is further divided into ten cantons, each with its own government and responsibilities. Both entities and the Brčko District are also comprised of municipalities. As a result, BiH has a multi-tiered legal and regulatory framework that is often duplicative and contradictory and creates opportunities for corruption.
- BiH imports almost twice as much as it exports: 2015 imports totaled \$9.2 billion with exports of \$5.2 billion. In 2015, U.S. exports to BiH totaled \$251 million with BiH exports to the U.S. valued at \$38 million. U.S. products and services held a 2.7 percent share of total BiH imports in 2015.
- U.S. exports to BiH are primarily in the areas of computer and electronic products, agricultural products, machinery and transport equipment, and raw materials for industrial processing. Primary BiH exports to the United States are leather products, apparel manufacturing products, furniture and fixtures, and petroleum and coal products. BiH operates a currency board arrangement by which the Bosnian Convertible Mark (KM) is pegged to the euro (One Euro = KM 1.958). As a result, the Convertible Mark is one of the most stable currencies in Southeast Europe.

## Market Challenges

- The lack of a single economic space in BiH affects companies trying to do business across the entire country. The country's political environment and complex government structure creates significant obstacles to economic development.
- According to the World Bank (WB), BiH is the least competitive economy in Southeast Europe and is currently ranked 79 out of 189 global economies. The WB report ranks BiH particularly low for its lengthy and arduous processes to start a new business, obtain construction permits, and register property. BiH's poor investment climate, coupled with the lingering effects of the global economic downturn and delayed public infrastructure development, has resulted in stagnant foreign direct investment inflow over the past five years.

- Historically, U.S. investment in BiH has been low, primarily due to the challenging business climate and the lack of opportunities for investment.
- Government and public procurement tenders have been criticized for a lack of openness and transparency.
- Dispute resolution is also challenging as the judicial system moves slowly, often does not adhere to existing deadlines, and provides no recourse if the company in question re-registers under a different name. Arbitration and mediation of commercial disputes is infrequently used.

## Market Opportunities

BiH offers opportunities to well-prepared and persistent exporters and investors. The country is open to foreign investment and offers a liberal trade regime. It is richly endowed with natural resources. The best opportunities are in the following sectors (discussed in detail later in the report):

- Materials for Industrial Processing to supply BiH's metal-based industrial sector.
- Energy Generation and Transmission Equipment for construction and upgrading of hydropower plants, thermal power plants, and electrical power distribution projects.
- Telecommunications Equipment and Services for the expansion of existing networks including mobile, fixed line, and broadband.
- Transport Infrastructure Engineering and Construction Services for the Corridor 5c highway construction project and upgrading of local road and railroad infrastructure.
- Construction Equipment to support commercial construction needs for infrastructure projects.
- Medical Equipment for the public health-care systems and private practices, including sophisticated diagnostic equipment.
- Information Technology Equipment and Services including computer software and IT equipment and services.
- Agricultural Sector products and services related to meat and livestock, milk and dairy, fruits and vegetables, medicinal and aromatic herbs, and fisheries.

## Market Entry Strategy

- It is essential to visit the country early in the market exploration phase in order to develop relevant industry contacts and understand BiH's multi-layered bureaucratic structure.
- New entrants to the market in established sectors will often be competing with nearby suppliers from Croatia, Serbia, and Slovenia, as well as other dominant EU member country exporters, who benefit from various trade preferences.
- For a new-to-market company, identifying a local partner is key. The selection should be based on a potential partner's knowledge of the local market and a thorough check of its reputation. Sales agents, representatives, and distributors all have important roles to play in this market. Regardless of which channel is selected, sales support and after-sales service are critical.
- Financing is a key consideration for Bosnian companies when considering whether to take on a new U.S. product line.

## Political and Economic Environment

### Political Environment

For background information on the political and economic environment of the country, please click on the link below to the U.S. Department of State Background Notes.

<http://www.state.gov/r/pa/ei/bgn/2868.htm>

## Selling US Products & Services

### Using an Agent to Sell U.S. Products and Services

Finding a good agent and/or distributor is the most effective means of market entry in BiH. Reliable and capable partners can be found, but it may take some time and effort to locate them. It is recommended that a confirmed letter-of-credit be used when conducting business with a new local partner. Local partners can be located through the Foreign Trade Chamber of BiH (<http://www.komorabih.ba>), which maintains a business registry and features an electronic goods and services exchange. It is strongly recommended that the creditworthiness and local reputation of your future partner be verified before signing legal documents or conducting any business transactions.

U.S. Embassy Sarajevo can assist in locating potential partners and assessing their creditworthiness. Through a partnership with the U.S. Foreign Commercial Service, the Embassy provides the International Partner Search (IPS) and the International Company Profile (ICP) services to U.S. companies.

### Establishing an Office

Establishing a business in BiH can be an extremely burdensome and time-consuming process for investors. In its “2016 World Bank Doing Business” report, the World Bank ranked BiH 79 out of 189 countries, an improvement of three spots from its ranking the previous year. In 2014, BiH improved in only two out of the ten areas covered in the report: getting electricity (up by twelve places to 119<sup>th</sup>) and enforcing contracts (up by one place to 66<sup>th</sup>). In terms of starting a business, BiH dropped from 165<sup>th</sup> to 175<sup>th</sup>. The World Bank estimates there is an average of 12 procedures, taking a total of 67 days, to complete registration of a new business in the capital city, Sarajevo. Certain administrative procedures can be especially time-consuming; for example, obtaining a construction permit can take as long as one year. In 2013, the RS established a one-stop-shop for business registration in the RS. This reduces the required processes dramatically and the time to register a business in the RS is down to an average of one to two weeks. Registration in BiH can sometimes be expedited if a local lawyer is retained to follow up at each step of the process. Investors in the Federation may register their business as a branch in the RS and vice versa.

All three sub-national levels of government (entity, cantonal, and municipal) establish laws and regulations affecting businesses, creating redundant and inconsistent procedures that encourage corruption. It can be difficult to understand all the laws and rules that might apply to certain business activities, given overlapping jurisdictions and the lack of a central information source. It is therefore critical that foreign investors obtain local assistance and advice.

The most common U.S. business presence found in BiH is the representative office. A representative office is not considered to be a legal entity and its activities are limited to market research, contract or investment preparations, technical cooperation, and similar business facilitation activities. The BiH Law on Foreign Trade Policy governs the establishment of a representative office. To open a representative office, a company must register with the Registry of Representative Offices, maintained by the BiH Ministry of Foreign Trade and Economic Affairs (MoFTER) and the appropriate entity’s ministry of trade. Applications must contain the following information:

- 1) A document indicating the decision of the founding or parent company to establish a representative office, to include:
  - Name and address of the founder
  - Name and address of the office (in BiH)
  - Name and address of the branch office (if such exists)
  - Scope of activities of the office
  - Terms of reference of the office
  - Names of persons managing the office
- 2) A certified document proving registration of the parent company in the home country;
- 3) A certified statement of liability for all liabilities that stem from activities of the office;
- 4) Appointment of the person in charge of the office (in BiH); and
- 5) Employment information including the number of employees in the local office and a list of foreign employees.

All documents must be originals and an authorized court translator must translate the documents into the local language. If the documentation is complete and correct, the registration procedure should be completed within 30 days. The BiH Ministry of Foreign Trade and Economic Relations (MoFTER) will appoint the office by a decree published in the Official Gazette. After receiving the decree, the new representative office must notify MoFTER within 90 days of the beginning of operations. If the representative office fails to do so, the appointment will be cancelled.

A representative office is allowed to have both foreign and local currency accounts with local banks. Office equipment can be imported free of customs duties, based on a temporary permit with the possibility for extensions. Office vehicles may be imported but only for expatriates. Expatriates are required to obtain residence and work permits and to pay local income taxes.

Other forms of establishing a business in BiH include:

#### Unlimited Joint Liability Company

An Unlimited Joint Liability Company is a company of at least two persons who bear unlimited mutual liability of the company. The company is founded by a founding contract of two or more domestic/foreign legal entities. Every member has the right and obligation to manage the company. The company has no statute and no management bodies because members manage the company directly, including representation of the company.

#### Limited Liability Company

A Limited Liability Company (LLC) is founded by an establishment act or establishment contract by one or more domestic/foreign legal entities with basic capital divided in parts. A member in a limited company is liable for the value of his investment in that company. Minimum basic capital is KM 2,000 (approx. \$1,300).

#### Limited Partnership

A Limited Partnership is a company in which one or more members has unlimited solidarity liability for the liabilities of the company including members' private assets. Risk of one or more members is limited by the value of their share in that company. A Limited Partnership is founded by a contract of two or more domestic/foreign legal entities. General partners manage the business of the company and the company is represented by each general partner.

#### Joint–Stock Company

A Joint–Stock Company is founded by the establishment contract of one or more domestic/foreign shareholders with basic capital divided into shares. A Joint-Stock Company is not liable for the obligations of shareholders and can be established by one or more founders. The minimum basic capital is KM 50,000 (approximately \$30,000).

The following steps are required to establish a limited liability company (the most frequent business entity form). The steps are uniform for the whole territory of BiH:

1. Establishment of contract
2. Initial capital payment
3. Registration at the competent court
4. Registration of a company stamp
5. Opening of a bank account in a commercial bank
6. Registration at the tax administration
7. Registration at the local municipality
8. Initiation of business activity

Additional English-language information on the registration process can be obtained from:

BiH Ministry of Foreign Trade & Economic Relations (MoFTER)  
Musala 9  
71000 Sarajevo  
Bosnia and Herzegovina  
Tel: +387-33-220-093  
Fax: +387-33-445-911  
Website: <http://www.mvteo.gov.ba>

BiH Foreign Investment Promotion Agency (FIPA)  
Tešanjaska 24A  
71000 Sarajevo  
Bosnia and Herzegovina  
Phone: ++ 387 33 278 080  
Fax: ++ 387 33 278 081  
E-mail: [fipa@fipa.gov.ba](mailto:fipa@fipa.gov.ba)  
Web: [www.fipa.gov.ba](http://www.fipa.gov.ba)

\*(Currency exchange rate: \$1 = KM 1.72 on 5/09/2016)

## Franchising

Franchising has yet to make a significant mark on the economy of BiH, though signs of progress can be found. The first McDonald's franchise arrived in 2011 and there are now three McDonald's restaurants in BiH. In the past two years, two of the five McDonald's restaurants closed (Tuzla and Banja Luka) due to business reasons. Marriott opened the Residence Inn Sarajevo in 2014 and a Courtyard Sarajevo in 2015. Both hotels are operated by the U.S. company Interstate Hotels & Resorts, Inc. Car rental companies (Hertz, National, Budget, Alamo) also have developed local franchising operations. BiH has no specific franchise laws.

## Direct Marketing

Direct-response selling remains popular in BiH. With the steady growth in credit card usage, there are attempts to market consumer goods through catalog sales, direct response advertising (TV, radio, and print media), and e-commerce. Marketing is usually carried out via formal or informal multi-level marketing groups or direct sale chains. Often, informal gatherings are used to promote the products and encourage sales.

## Joint Ventures/Licensing

Joint ventures are rare in BiH. The BiH Law on the Policy of Foreign Direct Investment and the Law on Companies regulate the establishment of joint ventures, investment in companies with mixed ownership, as well as other types of foreign or domestic investment. Establishing a joint venture requires a local lawyer and registration with the local court.

The Law on Obligations ("Commercial Code") addresses contract law. The licensing contract covers intellectual property rights issues (trademark, model, patent or copyright), payments/royalties, the term of the contract, restrictions on using trademarks, among other topics. A local lawyer should be consulted to ensure that provisions of the contract do not contravene BiH law.

## Selling to the Government

Government consumption in BiH is significant, estimated at more than 50 percent of GDP. The scope of government procurements is wide as it includes many government-owned enterprises such as public utilities and service providers for telecommunications, electricity and gas utilities, transportation services, and water supply. Procurement award decisions are often opaque: Transparency International's 2015 Corruption Perception Index ranked Bosnia and Herzegovina at number 76 out of 168 countries.

The BiH Public Procurement Agency and Procurement Review Body provides information pertaining to public procurement legislation, including procurement notices. <http://www.javnenabavke.ba>

U.S. companies interested in selling to the government are advised to contact U.S. Embassy Sarajevo for additional information about specific procurement opportunities. The Embassy assists U.S. companies exporting to BiH by identifying local opportunities for the sale of U.S. products or services, providing counseling on the market, and meeting the advocacy needs of U.S. firms. In addition, U.S. companies

can obtain advocacy support through the Advocacy Center in Washington, D.C.

<http://www.export.gov/advocacy>

### **U.S. Commercial Service Liaison Offices at the Multilateral Development Banks (European Bank for Reconstruction and Development, World Bank)**

The Commercial Service maintains Commercial Liaison Offices in each of the main Multilateral Development Banks, including the European Bank for Reconstruction and Development and the World Bank. These institutions lend billions of dollars in developing countries on projects aimed at accelerating economic growth and social development by reducing poverty and inequality, improving health and education, and advancing infrastructure development. The Commercial Liaison Offices help American businesses learn how to get involved in bank-funded projects, and advocate on behalf of American bidders. Learn more by contacting the Commercial Liaison Offices to the European Bank for Reconstruction and Development (<http://export.gov/ebrd>) and the World Bank (<http://export.gov/worldbank>).

#### **Web Resources**

Commercial Liaison Office to the European Bank for Reconstruction and Development:

<http://export.gov/ebrd>

Commercial Liaison Office to the World Bank: <http://export.gov/worldbank>

### **Distribution & Sales Channels**

As a result of different legal frameworks in the entities, there are two distribution areas in BiH: one in the Federation and one in Republika Srpska. Although some effort has been made to harmonize the entities' legal systems, there are still significant differences. Consequently, many manufacturers have developed multiple distribution channels and contracts with multiple distributors to cover both the Federation and Republika Srpska.

There are three primary types of distribution channels in BiH:

- i) For consumer goods
  - Producer to wholesaler to retailer to consumer
- ii) For industrial goods
  - Producer to industrial user; or
  - Producer to distributor to industrial user
- iii) For services
  - Service provider to consumer or industrial user

**Wholesaling:** Wholesalers offer the best channel for providing transportation, product storage, market information, financing, and risk management. Most wholesalers are independent, full-service merchant wholesalers that import and distribute goods. There is a significant degree of specialization in the wholesale sector by industry. Foreign companies control their distribution channels in BiH in a variety of ways.

Some manufacturers have opened representative offices in order to control distribution channels and supervise/manage marketing efforts. For example, one major U.S. corporation relies on three distributors and a number of wholesalers to service the market. The company's sales offices, located across the country, coordinate marketing efforts. Several U.S. IT companies cover the market directly and through a network of business partners, usually smaller IT companies. Finally, some U.S. companies utilize a single distributor that covers the entire country.

**Retailing:** The most significant development in the retail market is the appearance of large retailers, many of them foreign-owned, Konzum (Croatian supermarket chain), Interex (French supermarket chain), as well as locally-owned retail companies, MIMS group, Tropic Centar, Bingo and Robot Komerc. In addition, the continued expansion of the shopping mall concept - including the newest major entrant, the Sarajevo City Center mall opened in 2014 - has changed consumers' habits.

### Express Delivery

There are several express delivery, courier, and shipping services available to companies operating in the country, including FedEx, UPS, DHL, and other local and international express couriers. The average transit time for document shipments from large U.S. cities to BiH is about three to four business days.

### Selling Factors & Techniques

Many smaller and younger firms have difficulty gaining access to credit; therefore, an outside investor might consider financing options for the local reseller, whether in the area of industrial or consumer goods. Most buyers prefer to pay in monthly installments, even for low-priced goods.

Close and frequent contact with buyers, motivated and trained intermediaries, and aggressive market promotion are additional factors critical to success. Selling to state-owned companies and other state entities still relies on cultivating relationships.

It is important to provide product literature and manuals in local languages, as well as to use locally available service and maintenance.

### eCommerce

E-commerce is not well developed. BiH citizens and businesspeople generally do not shop or conduct business on the Internet. Many companies maintain websites, but ordering online through use of a credit card is very rare. Internet penetration is estimated at 68 percent (source: Internet World Stats, 2015). The financial sector leads the way with many commercial banks offering e-banking to their clients.

### Trade Promotion & Advertising

#### Trade Promotion

Trade shows are a common vehicle for company promotion in BiH. Local and regional firms rely on trade fairs to establish business connections, gain market visibility, and learn about new products.

Trade shows are held throughout the country. The most important shows take place in Sarajevo (<http://www.skenderija.ba>), Banja Luka (<http://www.banjalukafair.com>), Zenica (<http://www.zeps.com>), Mostar ([www.mostarski-sajam.com](http://www.mostarski-sajam.com)), and Gradacac ([www.gradacackisajam.com.ba](http://www.gradacackisajam.com.ba)). For agriculture and food trade shows, please visit: <http://sarajevo.usembassy.gov/trade-shows.html>.

## Advertising

Electronic media (television, cable TV, and radio), outdoor advertising, print media, and online media are the leading advertising mediums. The standard means to pursue advertising services is to contact one of the many advertising agencies in BiH. Media Group and Media Pool are two key advertising groups. Media Group includes BBDO and McCann Erickson, while Media Pool consists of SV-RSA, Fabrika, J.W. Thompson, Communis and M.I.T.A. Group/Saatchi & Saatchi. There are also several smaller, locally-owned firms, such as Via Media.

The broadcasting scene is crowded, with three public Public Broadcasting Service (PBS) broadcasters at the state and entity level, 12 local public TV stations, 45 private TV stations, and 144 radio stations (78 private, 62 public, 3 PBS, plus 3 non-profit). The full list of TV and radio broadcasters is available on the Communications Regulatory Agency's website: <http://www.rak.ba/en/broadcast/reg/?cid=1863>.

Among the most popular private TV stations are NTV Hayat (<http://www.ntvhayat.com>), TV Pink (<http://www.rtvpink.com>), OBN (<http://www.obn.ba>), BNTV (<http://www.rtvbn.com>), ATV (<http://www.atvbl.com>), and TV1 (<http://www.tv1.ba>). The three public broadcasters are a state-level TV and radio station (BHT), as well as two entity-level TV and radio stations (FTV and RTRS).

Mareco Index Bosnia (<http://www.mib.ba>), a member of Gallup International, and Ipsos (<http://www.ipsosadria.com>) are leading public opinion, media and market research companies in BiH. Both companies conduct consumer, media, and public opinion research throughout the country.

## Pricing

Since January 1, 2006 BiH has had a single, national 17 percent value-added tax (VAT) rate. This is one of the lowest rates in the region. The price level of goods and services in Bosnia and Herzegovina is relatively low due to the low cost of labor. The market generally determines prices.

## Sales Service/Customer Support

Sales service and customer support are relatively undeveloped as marketing tools. As foreign companies come to the market, they and their distributors are developing new standards of customer service. These higher standards of sales service and customer support are slowly being adopted by local firms.

When selling capital goods, sales services and customer support are essential, particularly in terms of maintenance and training. A well-trained local distributor can provide a competitive edge in this area.

## Due Diligence

The complex legal environment in BiH dictates the need for a local attorney. The legal framework is sometimes contradictory or overlapping, creating confusion and uncertainty. Bosnian attorneys' experience base is still limited with respect to legal questions and the issues that arise in a market-oriented economy. However, local lawyers are quickly gaining experience in working with international organizations and companies that are operating in BiH. Companies' in-house legal counsel should be prepared to oversee their in-country counsel, with explicit explanations and directions regarding objectives. U.S. Embassy Sarajevo maintains a list of local lawyers willing to represent U.S. Citizens in BiH. The list can be accessed at <http://sarajevo.usembassy.gov/lawyers.html>

## Local Professional Services

The U.S. Embassy Sarajevo can assist you in locating requested professional services as available. The Economic/Commercial Section can be reached at +387 (33) 704-000.

## Principle Business Associations

The American Chamber of Commerce in BiH (AmCham BiH) was established in 2001 as a nonprofit, independent association with the role of advancing the interests of U.S. and other foreign businesses in BiH. AmCham BiH plays an important role in improving the business climate in BiH and promoting high standards of business commercial practices. AmCham BiH brings together companies and organizations, including: law and consultancy firms; consumer goods and service providers; public relations, marketing and advertising companies; information technology companies; non-profit and educational organizations; engineering and construction firms; pharmaceutical companies; food and beverage producers; manufacturers of tobacco products; and various financial institutions. AmCham's activities include advocacy on members' behalf in addressing issues impacting their ability to conduct business in BiH; lobbying for legislation that is in accordance with European Union and international standards; and organizing regular meetings for members to discuss issues of interest. For more information, please visit [www.amcham.ba](http://www.amcham.ba)

The Foreign Investors Council (FIC) was established in 2006 as a non-profit business association, representing the interests of foreign businesses in BiH. FIC members come from different sectors including metal industry, mining, construction, legal and financial services, oil and energy, trade, banking, telecommunications, food and beverage production, and others. FIC objectives include the improvement of the investment and business environment in BiH and the promotion of communication and cooperation between the business council and BiH authorities. For more information, please visit [www.fic.ba](http://www.fic.ba)

There are also a number of local Chambers of Commerce on the state, entity, and canton administrative levels. The Chambers of Commerce represent member companies' interests with government related to adopting and amending economic laws, regulations, and programs.

## Limitations on Selling US Products and Services

The state-level "Law on Foreign Direct Investment" provides a generic framework for foreign investment. The law accords foreign investors the same rights as domestic investors, including bidding on privatization tenders. The primary exceptions are the defense industry and the media sector, where foreign control or ownership is limited to 49 percent. However, either entity government may decide, if it deems justified, to waive the 49 percent foreign ownership limit for defense industry companies.

As a result of FDI Law amendments adopted in March 2015, foreign investors can now own more than 49 percent of capital business entities dealing with media activities, such as publishing newspapers, magazines and other journals, publishing of periodical publications, production and distribution of television programs, privately-owned broadcasting of radio and TV programs, and other forms of daily or periodic publications of edited produced program content through transfer of recordings, voice, sound or images. The new FDI Law maintains the restriction that foreign investors cannot own more than 49 percent of public television and radio services.

## Selling U.S. Products and Services Web Resources

BiH Ministry of Foreign Trade & Economic Relations

<http://www.mvteo.gov.ba>

BiH Foreign Investment Promotion Agency

<http://www.fipa.gov.ba>

BiH Public Procurement Agency

<http://www.javnenabavke.ba>

## Trade Regulations, Customs, & Standards

### Import Tariff

The Import Tariffs of Bosnia and Herzegovina are harmonized each year with the Combined Nomenclature of EU and legislative regulations. Goods imported into Bosnia and Herzegovina and placed in free circulation are subject to payment of value added tax (VAT) at the rate of 17 percent while certain groups of products (e.g. coffee, cigarettes, oil, oil derivatives etc.) are subject to payment of specific taxes (excise) in accordance with the Law on Excise of BiH. The rates of specific taxes have an *ad valorem* and/or specific rates form.

#### **A. Customs Regulations, Tariff Rates and Import Taxes**

##### *1. Registration requirements for importing*

Any domestic and foreign entity (physical and legal) registered for foreign trade activities may conduct such activities.

##### *2. National Tariffs*

Import tariffs were eliminated for 11,000 products that BiH imports from the EU in 2009. The Customs Tariff Nomenclature is based on the Harmonized Commodity Description and Coding System (HS). BiH nomenclature of goods is fully harmonized with the combined EU nomenclature.

Customs duties on all commodities imported into BiH are paid *ad valorem* at rates of 0, 5, 10, and 15 percent. These rates apply to commodities originating from countries that have concluded an agreement with a Most Favored Nation clause with BiH, or from those countries that apply the same clause on the commodities originating from BiH. Upon BiH accession to the World Trade Organization, most-favored nation (MFN) status will be granted to all WTO members.

In addition to *ad valorem* custom duty rates, an additional duty is paid on imports of certain agricultural products in a per-unit amount. This additional duty is charged on 852 of the total number of tariff headings (10,823), and the amounts range from KM 0.08 KM/per unit to KM 6.00 /per unit. (Currency note: \$ 1= KM 1.72 on 05/09/2016)

Preferential tariff measures, pursuant to Article Three, Paragraph (c) of the Customs Tariff Law, may apply to goods from certain countries or groups of countries which have concluded an agreement on preferential treatment with BiH.

Trade with Albania, Macedonia, Moldova, Romania, Serbia, Montenegro, and Kosovo is governed by the Central European Free Trade Agreement (CEFTA), concluded in 2007. A separate bilateral free trade agreement is in force with Turkey.

#### **Tariff Quotas, Tariff Exemptions**

*Tariff quotas* - Articles Three and Seven of the BiH Customs Tariff Law permit the introduction of tariff quotas as a special measure for certain tariff headings. Consequently, the BiH Council of Ministers may approve imports of goods exempt from customs duties or at tariff rates lower than the duty set by the

BiH Customs Tariff. The application of this measure is restricted to limits, and ceases when the stipulated limit or value of the quota is reached.

*Tariff exemptions and relief* - Irrespective of tariff rates set by the Customs Tariff Law, some goods are exempt from customs duties under specific conditions. The following goods are exempt from customs duties:

- Equipment representing the investment of a foreign person, except passenger vehicles and entertainment and gaming machines;
- Goods for military and police forces in the entities that are fully donor financed; and
- Goods for reconstruction projects in BiH.

### **Other Duties and Charges**

Irrespective of the customs duty, which is paid on all commodities imported into the customs territory of BiH at the rates stipulated in the Customs tariff, the Law on Customs Policy, and the Law on Foreign Trade Policy, there are other regulations prescribing or allowing imposition of other taxes and charges.

*Seasonal Duty* - Article 19 Paragraph 7 of the Law on Customs Policy allows for imposition of a seasonal duty. Accordingly, in addition to the tariff rates in force, the BiH Council of Ministers, after consulting the entities, may introduce a seasonal duty on non-processed agricultural products for a set period of time. The seasonal duty has never been applied.

*Antidumping and Countervailing Duties* - Goods imported into BiH at prices below their normal value or subsidized in some way may be subject to antidumping and countervailing duties, in accordance with BiH law.

*Fees for Inspection of Goods* - Article 7, Paragraph 3 of the Law on Foreign Trade Policy requires sanitary, veterinary, phyto-sanitary, and ecological inspections of certain imported goods. Fees for these inspections are set by the Law on Administrative Fees and are approximately equal to the value of the service performed, in line with Article VIII of GATT.

#### *Application of Internal Taxes on Imports*

*Value Added Tax* – As of January 1, 2006, BiH introduced a value added tax at a flat rate of 17 percent that is levied on all imported and domestic goods.

*Excise tax* - The excise tax is paid only on certain goods at the moment of their release for free circulation. The excise tax is applied identically to domestic and imported goods.

The goods for which an excise tax is levied are: oil derivatives, tobacco, beverages, alcoholic drinks, and coffee.

*Rules of Origin* - Rules of origin are set out in Articles 20 - 23 of the Law on Customs Policy. This Law distinguishes between non-preferential and preferential origins. BiH has not concluded an agreement on preferential origins with the U.S.

*Non-Preferential Origin* - The Law stipulates that goods originating from a country are those wholly obtained or produced in that country. Goods whose production involved more than one country shall be deemed to originate in the country where they underwent their last substantial processing or finishing.

*Preferential Origin of Goods* - Article 23 of the Law on Customs Policy prescribes the rules to be applied for preferential trade, i.e. the conditions goods need to fulfill in order to benefit from the preferential measures referred to in Article 19, Paragraph 4 (c) and (d) of the Law.

### **Customs Valuation**

Articles 24 to 32 of the Law on Customs Policy establish procedures for the determination of the customs value of goods. Pursuant to Article 25 of the Law on Customs Policy, the customs value of imported goods is the transaction value, i.e. the price actually paid or payable for the goods when sold for exports to the customs territory of BiH. BiH's system of customs valuation in the Law on Customs Policy is fully compatible with WTO rules.

### **Trade Barriers**

BiH, as part of its efforts to accede to the WTO, has made major trade policy reforms to bring practices in full conformity with WTO requirements and eventual membership in the EU. Reforms include the elimination of import quotas, reduction of import licensing and prohibitions, streamlining of customs procedures, and the reduction of tariff and non-tariff barriers.

BiH Customs Tariff Law generally provides that foreign trade is liberal and without limitations. Once registered for performing business activities, a legal entity/entrepreneur may perform foreign, as well as domestic, operations. No special approval or administrative procedure is now required for re-export transactions, except for arms, ammunition, and dual use goods, which are subject to other regulations.

### **Import Requirements & Documentation**

All goods imported into the customs territory of BiH are subject to customs procedures contained in the Law on Customs policy, which applies uniformly throughout the customs territory of BiH. USDA has additional agriculture-related information at the following two websites: [Food and Agricultural Import Regulations and Standards](#) and [Exporter Guide](#).

Imports must be accompanied by a customs declaration, completed in one of the three official languages of BiH (Bosnian, Serbian, or Croatian), and submitted by the person named on the waybill or an authorized representative. The declaration must be accompanied by any relevant documents (invoice, shipping documents, and quality control certificates). The customs office may inspect the goods and take samples to determine that the goods correspond to the information on the customs declaration.

Once the customs office determines the amount of customs duty, the importer is required to obtain a guarantee covering the customs duty with the Customs Authority in the form of a cash deposit or a bank guarantee. The goods cannot be placed in circulation until customs duties have been paid or the payment has been guaranteed.

*Bill of Lading:* May be direct or to order. Mail and parcel shipments require postal documentation in place of bills of lading. Packages containing merchandise for which the senders are to receive payment must enclose the original invoice in the package (marked "Original Invoice") and the wrapper of the package must be marked to indicate that the original invoice is enclosed. Senders are recommended to post a signed copy of the invoice giving notice to the addressees that the packages are en route. Air cargo shipments require airway bills with the number of copies issued based on requirements of the importer and the airline.

*Certificate of Origin:* Certificates of origin should be issued in a minimum of two copies (the certifying organization will require an additional notarized file copy) made out by a reliable authority or agency duly authorized for that purpose by the country of issue. Certificates of origin are not required for imports for long-term production ventures with foreign partners, for the purchase of capital goods for investment projects abroad and for the return of goods to BiH, or for imports without payment of equivalent value.

*Commercial Invoice:* There is no prescribed format. Invoices should be issued in a minimum of two copies; additional copies may be requested. They must contain the usual particulars, including a full description of goods, marks and numbers, gross and net weights, number of packages, country of origin, plus any information that must be furnished to conform to contract.

*Insurance Certificate:* Normal commercial practices. Follow the importer's and/or the insurance company's instructions/advice.

*Packing List:* Not mandatory, but its use will facilitate clearance of goods.

*Pre-shipment inspection:* May be requested by the importer.

*Pro-Forma Invoice:* May be requested by the importer. *U.S. Shipper's Export Declaration (SED):* Required if the value is more than \$2,500 (\$500 for shipments through the U.S. postal system). SEDs are required for all shipments requiring an export license.

For specific information on import requirements and documentation for food and agricultural products, please see the [Food and Agricultural Import Regulations and Standards](#) and [Exporter Guide](#).

## U.S. Export Controls

More information on US export controls to BiH and general guidelines can be found at the Bureau of Industry and Security website here: <http://www.bis.doc.gov/>. The consolidated screening list can be found here: <http://developer.trade.gov/consolidated-screening-list.html>.

In general, below is a summary of the steps needed to process your export:

- Ensure that your export is under U.S. Department of Commerce jurisdiction
- Classify your item by reviewing the Commerce Control List
- If your item is classified by an Export Control Classification Number (ECCN), identify the Reasons for Control on the Commerce Control List
- Cross-reference the ECCN Controls against the Commerce Country Chart to see if a license is required. If yes, determine if a License Exception is available before applying for a license

- Ensure that no proscribed end-users or end-uses are involved with your export transaction. If proscribed end-users or end-uses are involved, determine if you can proceed with the transaction or must apply for a license
- Export your item using the correct ECCN and the appropriate symbol (e.g., NLR, license exception, or license number and expiration date) on your export documentation (e.g., Shipper's Export Declaration)

A list that consolidates eleven export screening lists of the Departments of Commerce, State, and the Treasury into a single search as an aid to industry in conducting electronic screens of potential parties to regulated transactions is available here: <http://developer.trade.gov/consolidated-screening-list.html>

### Temporary Entry

Goods temporarily entering BiH may be fully or partially free of customs duties and must not undergo any changes except for the nominal loss of value due to use. The maximum period for temporary entry is 12 months. The full list of goods that can be imported under this regime is provided in the Law on Customs Policy.

### Labeling/Marking Requirements

Labels must contain the following information:

- Name of the product
- Full address of the importer
- Country of origin
- Net quantity/weight/volume
- Ingredients
- Manner of storage (transport, use, or maintenance)
- Pertinent consumer warnings

Technically complex products must be accompanied by instructions on usage, manufacturer specifications, a list of authorized maintenance persons/businesses, warranty information, warranty period, and other applicable data. All information must be translated into the languages of BiH and affixed to (or accompanying) the product before it is put on the market.

For labeling and marking requirements for food and agricultural products please see the [Food and Agricultural Import Regulations and Standards](#) and [Exporter Guide](#).

### Prohibited & Restricted Imports

In accordance with the Law on Foreign Trade Policy, for reasons of public safety and protection of human health and lives, the following types of imports are restricted:

- Cargo vehicles older than ten years
- Buses older than ten years

- Trailers for cargo vehicles older than ten years
- Used tires

In accordance with obligations from international trade agreements, the Council of Ministers may ban imports, exports, or transit of certain goods through BiH or set conditions for imports, exports, or transport of such goods in transit in order to prevent danger to human lives, health, and the environment.

## Customs Regulations

BiH Indirect Taxation Administration (ITA)

Phone: +387-51-335-494

Bana Lazarevica bb

Banja Luka, 78000

Bosnia and Herzegovina

<http://www.uino.gov.ba/>

For information on customs regulations for food and agricultural products, please see the [Food and Agricultural Import Regulations and Standards GAIN report BK1213](#) and [Exporter Guide GAIN report BK1313](#).

## Trade Standards

### Overview

After the breakup of Yugoslavia, BiH inherited more than 11,000 Yugoslav standards and by-laws (known as “JUS” standards) and a number of those standards still remain in force. Identical regulations and standards are applied to both domestic and imported goods, regardless of the country of origin.

### Standards

- As of January 1, 2007 the former BiH Institute for Standardization, Metrology and Intellectual Property was broken into three separate institutes:BiH Institute for Standardization
- BiH Institute for Metrology
- BiH Institute for Intellectual Property Rights (“IPR Institute”)

BiH standards are designated per the BAS Standard. BiH is a member of the following international organizations for standardization:

- International Organization for Standardization (ISO)
- International Electro-technical Commission (IEC)
- European Committee for Standardization (CEN)
- European Committee for Electro-technical Standardization (CENELEC)
- European Telecommunications Standards (ETSI)

### **NIST Notify U.S. Service**

Member countries of the World Trade Organization (WTO) are required under the Agreement on Technical Barriers to Trade (TBT Agreement) to report to the WTO all proposed technical regulations that could affect trade with other Member countries. Notify U.S. is a free, web-based e-mail subscription service that offers an opportunity to review and comment on proposed foreign technical regulations that can affect your access to international markets. Register online at Internet URL: <http://www.nist.gov/notifyus/>

### **Conformity Assessment**

The Institute for Standardization is the main conformity assessment body in BiH. There are other testing organizations in BiH; a list of these institutions can be obtained from the Institute for Standardization.

For information on testing/conformity assessment for food and agricultural products, please see the [Food and Agricultural Import Regulations and Standards GAIN report BK1213](#) (Appendix I) and [Exporter Guide GAIN report BK1313](#).

For information on laboratories authorized for testing genetically engineered products, please see the [Food and Agricultural Import Regulations and Standards GAIN report BK1213](#) (Section VII: Other Specific Standards and Appendix I).

### **Product Certification**

Product certification is required to ensure that the product has undergone appropriate testing and conforms to relevant regulations. USDA has additional agriculture-related information at the following two websites: [Food and Agricultural Import Regulations and Standards](#) and [Exporter Guide](#). There are no existing Mutual Recognition Agreements with U.S. organizations.

### **Accreditation**

The BiH Accreditation Institute is the main institution for accrediting testing organizations in the country. Before placing a product on the market in BiH, the manufacturer or its authorized representative in BiH must assess whether the product conforms with current technical regulations. The assessment procedures are defined by the Law on Technical Requirements for Products and on Conformity Assessment. Conformity documents and markings issued abroad are recognized in BiH, if they are issued in accordance with the international agreements on mutual recognition of documents of which BiH is a signatory. The Ministry of Foreign Trade and Economic Relations may recognize the validity of conformity documents and conformity markings issued in the countries with which BiH has not signed international agreements if they have been issued in accordance with technical regulations that are equivalent to those adopted by BiH, and if the competence of the bodies that carried out the conformity assessment has been verified according to the same requirements as those prescribed for such bodies by BiH regulations.

### **Publication of technical regulations**

The BiH Institute for Standardization publishes a bulletin of standards. Technical regulations are published in the Official Gazette of BiH, Official Gazette of FBiH, and the Official Gazette of RS. U.S. companies can comment directly to the Institute.

Most food and agricultural products are subject to sanitary, phytosanitary and quality standards. To learn more about these technical regulations please see the [Food and Agricultural Import Regulations and Standards GAIN report BK1213](#) and [Exporter Guide GAIN report BK1313](#).

### Contact Information

BiH Institute for Standardization  
<http://www.bas.gov.ba/>

BiH Institute for Intellectual Property Rights  
<http://www.ipr.gov.ba/>

BiH Accreditation Institute  
<http://www.bata.gov.ba/>

BiH Indirect Taxation Administration  
<http://www.uino.gov.ba/>

BiH Foreign Investment Promotion Agency  
<http://www.fipa.gov.ba>

Generalized System of Preferences (GSP) Program  
<https://ustr.gov/issue-areas/trade-development/preference-programs/generalized-system-preference-gsp>

POC at Post:  
United States Embassy Sarajevo  
Economic/Commercial Section  
Robert C. Frasure 1  
71000 Sarajevo  
Bosnia and Herzegovina  
Ph. +387-33-704-000  
Fax. +387-33-659-722  
email: [SarajevoEcon@state.gov](mailto:SarajevoEcon@state.gov)  
website: [www.sarajevo.usembassy.gov/business.html](http://www.sarajevo.usembassy.gov/business.html)

### Trade Agreements

**CEFTA.** In December 2006, BiH signed the Central European Free Trade Agreement (CEFTA), which became fully operational in November 2007. The regional trade group consists of Albania, BiH, Kosovo, Macedonia, Moldova, Montenegro, and Serbia.

**EU SAA.** In June 2008, BiH signed the Stabilization and Association Agreement (SAA) with the European Union, an important step towards EU membership. The Stabilization and Association Agreement (SAA) between the EU and Bosnia and Herzegovina (BiH) officially entered into force on June 1, 2015. The most important part of the SAA is the establishment of a free trade zone between BiH and the European Union, allowing for the mutual abolishment of custom tariffs and quantity limitations in mutual exchange of goods between BiH and the EU. The entry into force of the SAA should increase the

confidence of investors, domestic and international in the country. It will allow both Bosnian companies and EU companies to access their respective markets. This is conducive to enhanced business opportunities for both the EU and the BiH based companies. The SAA should also encourage further development of competitiveness among the country's exporters and increase investment and employment.

*Trade in agriculture and food products.* With Croatia's accession to the EU on July 1, 2013, Croatia lost its privileged CEFTA access and the following key products began to be subject to duties ranging from 5 to 35 percent: dairy, meat products, fruits, vegetables, and sugar. At the same time, BiH lost access to the Croatian market for its animal products that did not have EU recognition (everything except processed fish, animal skins, honey, and dairy products). Valued at \$40 million (60 million KM) in 2012, these products represent around 27 percent of BiH's agri-food exports to Croatia. Most plant origin exports continued uninterrupted, except for certain plant materials (i.e., grape vine seedlings, corn and vegetable seeds, and some citrus). BiH is currently negotiating with the EU a Protocol on Trade under the SAA that should provide for further trade liberalization, based on BiH's former traditional trade with Croatia. BiH is seeking a staged phase-out of import duties for sensitive agricultural and food products in exchange for higher duty-free quotas for BiH's fish, wine, and sugar exports to the EU market. The EU seeks a faster elimination of the remaining tariffs.

**U.S. GSP.** Bosnia and Herzegovina was designated as a beneficiary country under the United States Generalized System of Preferences (GSP) program, under which more than 3,400 products are eligible for duty-free entry to the United States. The GSP program provided an incentive for investors to produce in Bosnia and Herzegovina. On June 29, 2015, President Obama signed legislation reauthorizing the Generalized System of Preferences (GSP) program for BiH through December 31, 2017. Between 2010 and 2015, BiH exported to the U.S. over \$22 million worth of goods eligible for the GSP program.

### Licensing Requirements for Professional Services

Ministries of Finance at the entity level prescribe the conditions for issuing licenses for certified accounting and auditing companies. Licenses are issued for a validity period of three years. Similarly, entity-level Ministries of Justice prescribe the conditions for issuing a license for a legal practice.

### Trade Regulation Web Resources

BiH Institute for Standardization

<http://www.bas.gov.ba/>

BiH Institute for Intellectual Property Rights

<http://www.ipr.gov.ba/>

BiH Accreditation Institute

<http://www.bata.gov.ba/>

BiH Indirect Taxation Administration

<http://www.uino.gov.ba/>

BiH Foreign Investment Promotion Agency

<http://www.fipa.gov.ba>

Generalized System of Preferences (GSP) Program <https://ustr.gov/issue-areas/trade-development/preference-programs/generalized-system-preference-gsp>

## Investment Climate Statement

### Executive Summary

Bosnia and Herzegovina's (BiH) political environment and complex government structures create significant obstacles to economic development and foreign direct investment. Although open to foreign investment, investors continue to face a number of serious obstacles including corruption, complex legal and regulatory frameworks and government structures, non-transparent business procedures, insufficient protection of property rights, and a weak judicial system. The country's complicated government structure and political environment has stalled many key economic reforms. BiH's poor investment climate, coupled with the lingering effects of the global economic downturn and delayed public infrastructure development has resulted in stagnant foreign direct investment inflow over the past five years. According to the World Bank's Ease of Doing Business Report, BiH is the least competitive economy in Southeast Europe and is currently ranked 79 out of 189 global economies.

Historically, U.S. investment in BiH has been low, primarily due to the challenging business climate and the lack of opportunities for investment. Nonetheless, if fully implemented the European Union Reform Agenda will gradually open up BiH to foreign investment by improving the labor environment, decreasing regulation, harmonizing economic regulation, and shifting the economy from public to private-led. BiH offers business opportunities to well-prepared and persistent exporters and investors. The country is open to foreign investment and offers a liberal trade regime. It is also richly endowed with natural resources, providing potential opportunities in energy (hydro and thermal power plants), agriculture, timber, and tourism. The best business opportunities for U.S. exporters to BiH include energy generation and transmission equipment, telecommunication and IT equipment and services, transport infrastructure and equipment, engineering and construction services, medical equipment, and raw materials and chemicals for industrial processing. In 2015, the U.S. exported \$251 million in goods to BiH (source: BiH Statistics Agency).

*Table 1*

Measure	Year	Index or Rank	Website Address
<b>TI Corruption Perceptions</b>	2015	76 of 167	<a href="http://www.transparency.org/cpi2015">www.transparency.org/cpi2015</a>
<b>World Bank's Doing Business Report "Ease of Doing Business"</b>	2015	79 of 189	<a href="http://www.doingbusiness.org/rankings">www.doingbusiness.org/rankings</a>
<b>Global Innovation Index</b>	2015	79 of 141	<a href="http://www.globalinnovationindex.org/content/page/data-analysis/">www.globalinnovationindex.org/content/page/data-analysis/</a>
<b>U.S. FDI in partner country (\$M USD, stock positions)</b>	2015	\$170 million	N/A
<b>World Bank GNI per capita</b>	2015	\$4,760	<a href="http://data.worldbank.org/indicator/NY.GNP.PCAP.CD">http://data.worldbank.org/indicator/NY.GNP.PCAP.CD</a>

*Millennium Challenge Corporation Country Scorecard*

## Openness to and Restrictions upon Foreign Investment

### **Attitude toward Foreign Direct Investment**

Bosnia and Herzegovina struggles to attract foreign investment. Complex labor and pension laws, the lack of a single economic space, and inadequate judicial and regulatory protections deter domestic and local investment.

Under the BiH constitution established through the Dayton Accords, Bosnia and Herzegovina is divided into two “entities,” the Federation of BiH (the Federation) and the Republika Srpska (RS). A third, smaller area, the Brčko District, operates under a separate administration. The Federation is further divided into ten cantons, each with its own government and responsibilities. Each entity also has municipalities for a total of 143 municipalities in BiH (63 in the RS and 80 in the Federation). As a result, BiH has a multi-tiered legal and regulatory framework that can be duplicative and contradictory, and is not very conducive to attracting foreign investors.

Employers bear a heavy burden toward governments. They must contribute 69 percent on top of wages in the Federation and 52 percent in the RS to the health and pension systems. The labor and pension laws are also deterrents to investment, though both are being reformed to decrease burdens on employers. While corporate income taxes in the two entities and Brčko District are now harmonized at ten percent, entity business registration requirements are not harmonized. The RS has its own registration requirements, which apply to the entire entity. Each of the Federation’s ten cantons has different business regulations and administrative procedures affecting companies. Simplifying and streamlining this framework is essential to improving the investment climate. The EU Reform Agenda targets changes that should improve the investment climate by clarifying and simplifying regulation and procedures while decreasing fees faced by businesses at the entity, canton and municipal levels. Generally, BiH’s legal framework does not discriminate against foreign investors. However, given the high level of corruption, foreign investors can be at a significant disadvantage in relation to entrenched local companies, especially those with formal or informal backing by BiH’s various levels of government.

### **Other Investment Policy Reviews**

In the past three years, the BiH government has not conducted an investment policy review through the Organization for Economic Cooperation and Development (OECD); the World Trade Organization (WTO); or the United Nations Conference on Trade and Development (UNCTAD).

### **Laws/Regulations on Foreign Direct Investment**

The state-level Law on the Policy of Foreign Direct Investment accords foreign investors the same rights as domestic investors and guarantees foreign investors national treatment, protection against nationalization/expropriation, and the right to dispose of profits and transfer funds. With the exception of the defense industry and certain elements of the media sector (see below), where foreign control is limited to 49 percent of a single company, there are no restrictions on foreign investment. However, an Entity Government may decide, that companies normally subject to this limitation are not subject to restrictions. According to the Law on the Policy of Foreign Direct Investment in BiH, it is stated that “the Entity Government may decide, if it deems justified, that the share of foreign entity for certain business companies referred to in paragraph (a) of this Article, except for companies dealing with public information, is not subject to restrictions set forth in paragraph (a) of this Article”.

As a result of FDI Law amendments adopted in March 2015, foreign investors can now own more than 49 percent of capital business entities dealing with media activities, such as publishing newspapers, magazines and other journals, publishing of periodical publications, production and distribution of television programs, privately-owned broadcasting of radio and TV programs, and other forms of daily or periodic publications of edited produced program content through transfer of recordings, voice, sound or images. The new FDI Law maintains the restriction that foreign investors cannot own more than 49 percent of public television and radio services. The March 2015 amendments also set clear and precise conditions to enhance legal security and clarity for foreign direct investment flows.

The complex legal environment in BiH underlines the utility of local legal representation for foreign investors. The legal framework is sometimes contradictory or overlapping, creating confusion and uncertainty. Bosnian attorneys' experience base is still limited with respect to legal questions and the issues that arise in a market-oriented economy. However, local lawyers are quickly gaining experience in working with international organizations and companies operating in BiH. Companies' in-house legal counsel should be prepared to oversee their in-country counsel, with explicit explanations and directions regarding objectives. The U.S. Embassy maintains a list of local lawyers willing to represent U.S. citizens and companies in BiH. The list can be accessed at <http://sarajevo.usembassy.gov/lawyers.html>.

### **Business Registration**

Establishing a business in BiH can be an extremely burdensome and time-consuming process for investors. The World Bank estimates there are an average of 11 procedures, taking a total of 37 days, to complete registration of a new business in the capital city of Sarajevo. In 2013, the RS established a one-stop shop for business registration in the entity. This dramatically reduced the time required to register a business in the RS, bringing time to register a company down to an average of 7 to 14 days. Registration in BiH can sometimes be expedited if companies retain a local lawyer to follow up at each step of the process. Investors in the Federation may register their business as a branch in the RS and vice versa.

The entity, cantonal, and municipal levels of government each establish their own laws and regulations on business operations, creating redundant and inconsistent procedures that encourage corruption. It is often difficult to understand all the laws and rules that might apply to certain business activities, given overlapping jurisdictions and the lack of a central information source. It is therefore critical that foreign investors obtain local assistance and advice.

The most common U.S. business presence found in BiH are representative offices. A representative office is not considered to be a legal entity and its activities are limited to market research, contract or investment preparations, technical cooperation, and similar business facilitation activities. The BiH Law on Foreign Trade Policy governs the establishment of a representative office. To open a representative office, a company must register with the Registry of Representative Offices, maintained by the BiH Ministry of Foreign Trade and Economic Affairs (MoFTER) and the appropriate entity's ministry of trade.

In BiH, the size of enterprises is defined by the number of employees and amount of revenue. Small enterprises are those with up to 50 employees and revenues of up to \$1.3 million (KM 2 million); Medium enterprises are those with between 50 and 250 employees and revenues up to \$5 million (KM 9

million). No special services or preferences are provided in facilitating investment and business operations by Small and Medium Enterprises.

Other forms of businesses in BiH include:

#### Unlimited Joint Liability Company

An Unlimited Joint Liability Company is a company of at least two persons who bear unlimited mutual liability of the company. The company is founded through a contract between two or more domestic or foreign legal entities. Each member has the right and obligation to manage the company. The company has no statute and no management bodies because members manage and represent it directly.

#### Limited Liability Company

A Limited Liability Company (LLC) is founded by an establishment act or establishment contract by one or more domestic or foreign legal entities with basic capital divided into parts. A member in a limited company is liable for the value of his investment in that company. Minimum basic capital is KM 2,000 (approx. \$1,200).

#### Limited Partnership

A Limited Partnership is a company in which one or more members has unlimited solidarity liability for the liabilities of the company, including members' private assets. Members' risk is limited by the value of their shares in the company. A Limited Partnership is founded by a contract of two or more domestic or foreign legal entities. General partners manage and represent the company.

#### Joint-Stock Company

A Joint-Stock Company is founded by an establishment contract of one or more domestic or foreign shareholders with basic capital divided into shares. A Joint-Stock Company is not liable for the obligations of shareholders and can be established by one or more founders. Minimum basic capital is KM 50,000 (approximately \$28,000).

Additional English-language information on the business registration process can be found at:

BiH Ministry of Foreign Trade & Economic Relations (MoFTER)

Ph: +387-33-220-093

[www.mvteo.gov.ba](http://www.mvteo.gov.ba)

BiH Foreign Investment Promotion Agency (FIPA)

Ph: + 387 33 278 080

[www.fipa.gov.ba](http://www.fipa.gov.ba)

#### **Industrial Promotion**

There are no specific government programs to attract foreign investment. Sporadically, high ranking government officials give media statements inviting foreign investments in the energy, transportation, and agriculture industries; however, the announcements are rarely supported by tangible, commercially-viable investment opportunities.

#### **Limits on Foreign Control**

With the exception of the defense industry and certain elements of the media sector, where foreign control is limited to 49 percent of a single company (see 1.3 above), there are no restrictions on investment.

### **Privatization Program**

Privatization offerings are scarce and often require unfavorable terms. Some formerly successful state-owned enterprises have accrued significant debts from unpaid health and pension contributions, and potential investors are required to assume these debts and maintain the existing workforce. Under the State-level FDI Law, foreign investors may bid on privatization tenders. International financial organizations, such as the European Bank for Reconstruction and Development are heavily engaged on privatization and restructuring efforts across the remaining portfolio of state owned enterprises.

The Federation government approved the privatization of 14 companies based on the Federation Agency for Privatization's 2016 privatization plan. However, this decision is non-binding, and there is no enforcement mechanism. Some of the companies listed have posted losses and suffered significant decline in value, while others have only a small amount of public ownership. The 14 companies are Bosnalijek, Energopetrol, Energoinvest, Aluminij Mostar, Hidrogradnja, Remontni Zavod Travnik, Šipad export-import, Zenica Steel , KTK Visoko, Agrokomerc, Borac Confection Travnik, Tobacco Factory Mostar, Vitezit, and Holding Company Putevi BiH. Privatization process in the RS is carried out by the RS Investment Development Bank. Many prospective companies have been already privatized, and out of 163 not yet privatized companies, many are being liquidated or undergoing bankruptcy. The Defense industry and energy sector have not been slated for privatization. Although the RS National Assembly passed a decision that the entity has no plans to privatize the energy sector, the RS Government maintains the possibility of joint ventures in the energy sector.

### **Screening of FDI**

The Bosnia and Herzegovina government does not screen or review foreign direct investments, except in the cases of privatization in order to ensure privatization contracts have been met. If privatization contract commitments are not fulfilled, the government retains the right to cancel the contract. Foreign investors have the right to appeal the review process.

### **Competition Law**

BiH has a Competition Council, designed to be an independent public institution to enforce anti-trust laws, prevent monopolies, and enhance private sector competition. The Council reviews and approves foreign investments in cases of mergers and acquisitions of local companies by foreign companies. The Competition Council consists of six members appointed for six-year terms of office with the possibility of one reappointment. The BiH Council of Ministers appoints three Competition Council members, the Federation Government appoints two members, and the RS Government appoints one member. From the six-member Competition Council, the BiH Council of Ministers affirms a president of the Council for a one-year term without the possibility of reappointment.

## **Conversion and Transfer Policies**

### **Foreign Exchange**

The Law on Foreign Direct Investment guarantees the immediate right to transfer and repatriate profits and remittances. Local and foreign companies may hold accounts in one or more banks authorized to initiate or receive payments in foreign currency. The implementing laws in both entities include transfer and repatriation rights. The Central Bank's adoption of a currency board in 1997 guarantees the local currency, the convertible mark or KM (aka BAM), is fully convertible to the euro with a fixed exchange rate of KM 1.95583 = €1.00.

### **Remittance Policies**

BiH has no remittance policy, although remittances are generally high due to a large diaspora. Remittances are estimated to range up to 15 percent of total GDP. Based on the two entities' Laws on Foreign Currency Exchange, all payments in the country must be in national currency.

BiH is not sanctioned by the Financial Action Task Force (FATF). On March 11, 2015, required amendments for terrorist financing were added to the criminal code. BiH is working with FATF to complete additional recommendations.

### **Expropriation and Compensation**

The BiH investment law forbids expropriation of investments, except in the public interest. According to Article 16, "Foreign investment shall not be subject to any act of nationalization, expropriation, requisition, or measures that have similar effects, except where the public interest may require otherwise." In such cases of public interest, expropriation of investments would be executed in accordance with applicable laws and regulations, be free from discrimination, and include payment of appropriate compensation. Neither the entity governments nor the state government have expropriated any foreign investments to date.

### **Dispute Settlement**

#### **Legal System, Specialized Courts, Judicial Independence, Judgments of Foreign Courts**

BiH has a clogged court system and it often takes several years for a case to be brought to trial. Moreover, commercial cases with subject matter that judges do not have experience adjudicating such as intellectual property cases, are often left unresolved for lengthy periods of time. Most judges have little to no in-depth knowledge of adjudicating international commercial disputes and require training on applicable international treaties and laws.

The U.S. Government has provided training to judges, trustees, attorneys, and other stakeholders at the state and entity levels to assist in the development of bankruptcy and intellectual property rights laws. Those laws are now in effect at both the entity and state levels, but have not been fully implemented.

#### **Bankruptcy**

Both entities have Laws on Bankruptcy. However, existing laws are inadequate because bankruptcy proceedings are not resolved in a timely manner, and there is insufficient emphasis placed on companies' rehabilitation and/or reorganization. The entities' laws define the rights of creditors, equity shareholders, and holders of other financial contracts. Foreign contract holders enjoy the same rights as

local contract holders. Bankruptcy is not criminalized. The U.S. Government provided recent training to judges on international bankruptcy principles.

### **Investment Disputes**

Over the last decade, there has been only one case of a legal dispute involving a U.S. investor and the local government. While efforts are being made to improve BiH's commercial court system, its current capacity and practical inefficiencies limit timely resolution of commercial disputes.

### **International Arbitration**

BiH has been a member of the International Center for the Settlement of Investment Disputes since 1997. BiH does not have a Bilateral Investment Treaty (BIT) or Free Trade Agreement (FTA) with an investment chapter with the United States. It accepts international arbitration to settle private investment disputes if the parties outline this option in a contract.

The only domestic arbitration body in BiH – the Arbitration Court of the BiH Foreign Trade Chamber – is an inexperienced institution. It needs updated and modernized laws and regulations to comply with international norms and standards. The Arbitration Court would benefit from licensed and trained arbitrators. Domestic arbitration legislation is encompassed within the Civil Procedure Code and is not currently modeled on internationally-accepted regulations. As for the legislation, arbitration is generally poorly addressed. Namely, there are few provisions in the entities' laws that regulate litigation procedures, which are the legal basis for parties in dispute to entrust the dispute to arbitration. There is no legislation that is modelled on internationally accepted regulations, such as the model law of the United Nations Commission on International Trade Law (UNCITRAL).

#### ***ICSID Convention and New York Convention***

BiH is a signatory of the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (the "New York Convention"). Bosnia and Herzegovina is a signatory to the Convention on the Settlement of Investment Disputes between States and Nationals of Other States (ICSID), also known as the Washington Convention.

### **Duration of Dispute Resolution – Local Courts**

Government agencies and courts are often unpredictable and intermittent in their enforcement of commercial market violations. In the rare instances that cases reach a court of law, prosecutors and judges too often put commercial cases on the back burner, leading to excessively long court procedures. BiH needs to prioritize commercial cases such as contract disputes, company restructuring procedures, and intellectual property protection in order to protect Bosnian companies and entice additional investors to the country.

## **Performance Requirements and Investment Incentives**

### **WTO/TRIMS**

BiH is at the last stage of the WTO accession process with bilateral negotiations in progress with Russia, Ukraine, and Brazil. Internally, the Federation needs to settle its Law on Internal Trade, which requires

that 50 percent of products in shopping malls to be of local origin and is inconsistent with WTO standards.

### **Investment Incentives**

There are some incentives for foreign direct investment, including exemptions from payment of customs duties and customs fees. Bosnia and Herzegovina is divided into three jurisdictions for direct tax purposes: the Federation, the RS, and the Brčko District.

Equipment of the foreign investor being imported as part of share capital is exempt from paying customs duties.

In the Federation, RS, and Brčko District, the corporate income tax allows offsetting of losses against profits over a five-year period. Foreign investors can open bank accounts in all jurisdictions and transfer their profits abroad without any restrictions. The rights and benefits of foreign investors granted and obligations imposed by the Law on the Policy of Foreign Direct Investment cannot be terminated or overruled by subsequent laws and regulations. Should a subsequent law or regulation be more favorable to foreign investors, the investor has the right to choose the most beneficial regulations.

In addition to the BiH-wide incentives listed above, the two entities and the Brčko District have specific incentives. In the Brčko District, investments in fixed assets are subject to tax relief.

#### *In the Federation:*

A taxpayer who invests KM 20 million (approx. \$12 million) over a period of five years is exempted from paying corporate income tax for the period of five years beginning from the first investment year, in which a minimum KM 4 million (approx. \$2.5 million) must be invested, shall have reduced the obligations of the calculated income tax for 50% of the amount in the year of investment. A taxpayer that does not make the prescribed investment in the time period of five years loses the right of tax exemption. In that case, unpaid corporate income tax is determined in accordance with the provisions of the Law on Corporate Income Tax augmented with a penalty interest payable for untimely paid public revenues.

A taxpayer whose workforce is more than 50 percent disabled persons and persons with special needs in any given year are exempted from paying corporate income tax. The exemption applies to the applicable year in which disabled persons and persons with special needs met the required threshold. Employees must have been with the company for longer than one year to be considered.

#### *In the Republika Srpska:*

In its Amendments to the Law on Profit Tax, the RS reduced taxes on investments in equipment intended for company production and investment in plants and immovable property used for manufacturing and processing.

For employers with at least 30 workers during a calendar year, there is a tax base reduction in personal income tax and mandatory employer contribution of the employer. Employees must be officially listed with the RS Employment Office.

The RS Decree on Conditions and Implementation of the Investment and Employment Support Program (Official Gazette of RS No. 70/12) also established new incentives in 2012 meant to encourage and

support direct investments, employment growth, and transfer of new knowledge and technologies. To qualify for the incentives, participants must have existing investment projects in the RS manufacturing sector, a minimum investment value of KM 2 million (\$1.2 million), and new employment for at least 20 workers. The total funding awarded is proportional to the investment value, the number of newly employed, and the development level of the investment location.

In early 2015, the RS government passed several economically-focused laws, including the Law on Property Tax, which imposes a flat rate for property taxes in all municipalities; the Law on Income Tax, which exempts dividends and profit shares from taxation; the Law on Corporate Income Tax, which broadens the scope of deductible expenses and harmonizes taxes for foreign investors; and the Law on Contributions, which decreases tax contributions employers pay on salaries by 1.4%.

### **Research and Development**

The host government does not restrict participation of foreign companies in government-financed research and development programs.

### **Performance Requirements**

The host government does not mandate local employment and does not impose excessively onerous visa, residence, work permit, or similar requirements that would inhibit mobility of foreign investors and their employees.

### **Data Storage**

BiH government does not have a “forced localization” policy in which foreign investors must use domestic content or sourcing in goods or technology. Also, there are no requirements for foreign IT providers to turn over source code and/or provide access to surveillance. There are no mechanisms in place used to enforce rules on maintaining a certain amount of data storage within the country.

## [Right to Private Ownership and Establishment](#)

Under the state-level investment law, a foreign enterprise has the same rights as a BiH enterprise or citizen, and foreign entities can establish and own a business with the same rights as domestic entities. However, the Federation Companies Law, unlike laws in the RS and the Brčko District, does not provide an option for foreign legal entities to establish a branch office. Foreign investors may own real estate in BiH and enjoy the same property rights as BiH citizens and legal entities, except in the defense industry and certain elements of the media sector, where foreign control is limited to forty-nine percent of a single company. Also, a foreign person cannot own property in an area declared by the law to be exempt due to the interests and security of the government. Foreign interests must follow the same regulatory procedures when establishing their enterprises

## [Protection of Property Rights](#)

### **Real Property**

Registration of real property titles is generally acknowledged as a significant barrier to the real property and mortgage market development. The present system consists of separate Geodetic Administrations for the Federation and the RS, which are responsible for real property cadasters. Real property cadasters describe and certify the legal object, e.g. land, house, etc. Separately, the land registry establishes legal ownership and rights for the specific object and is maintained by the municipal courts. A significant portion of land and real estate property does not have a clear title due to restitution issues. The 2016 World Bank Doing Business Report ranked BiH at number 97 out of 189 in the ease of registering property, which takes seven procedures and an average of 24 days.

### **Intellectual Property Rights**

Companies should consider several general principles for effective management of intellectual property rights (IPR) in BiH. It is important for companies to have a comprehensive IPR protection strategy. IPR is protected differently in BiH than in the United States and rights must be registered and enforced according to local law. U.S. trademark and patent registrations do not protect IPR in BiH.

Bosnia's IRP framework consists of seven laws, adopted and put into force by the BiH Parliament in 2010. This legislation is compliant with the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) and EU legislation. BiH belongs to over 20 international treaties related to IPR and, in 2009, ratified the 1996 World Intellectual Property Organization (WIPO) Copyright Treaty and the WIPO Performance and Phonograms Treaty. Although existing legislation provides a basic level of protection, BiH's civil and criminal enforcement remains weak.

Jurisdiction over IPR investigations is split between customs officials, entity inspectorates, and state and entity law enforcement agencies, and no institution has specialized IPR investigation teams. IPR crimes are prosecuted primarily at the state level. Cases in which companies are indicted often involve fairly low-level violators. More significant cases have sometimes languished for years with little action from prosecutors or judges. The entity governments have been using licensed software for a number of years. The state-level government came into compliance in 2009, a significant step forward in the government's commitment to IPR protection. Some of the Cantonal governments continue using unlicensed software. However, some officials still lack understanding of the importance of IPR. Illegal DVDs and CDs are still available for sale in small public markets. BiH's enforcement record still leaves much room for improvement. At this time, there is no mechanism to combat digital piracy. In BiH's private sector, awareness of IPR, particularly the importance of copyright protection, remains low, though the emergence of a local software development industry is helping to raise awareness. Curbing business software piracy could significantly improve the local economy by creating new jobs and generating tax revenue. The failure to recognize the importance of preventing copyright infringement makes software producers and official distributors less competitive and the establishment of a legitimate market more difficult. Businesses in BiH lose an estimated \$15 million annually from the sale of counterfeit software, CDs, and DVDs. According to the Business Software Alliance (BSA), the rate of illegal software installed on personal computers in Bosnia and Herzegovina currently remains at 66 percent, which is the regional average.

Registration of patents and trademarks is on a first-in-time, first-in-right basis, so businesses should consider applying for trademark and patent protection prior to introducing their products or services in the BiH market. The U.S. government generally cannot enforce rights for private individuals in BiH. Companies may wish to seek advice from local attorneys who are experts in IPR law.

Collective copyright protection also remains a challenge in Bosnia and Herzegovina. The Association of Composers and Musical Authors is the only licensed collective management organization for music authors in BiH. It faces enforcement challenges, and both members and users remain skeptical and unfamiliar with collective copyright management protection. The Association of Film Workers represents visual artists, filmmakers, and literary authors in BiH, collecting and distributing royalties for use of their works on their behalf.

The U.S. Government, in conjunction with local partners, has made IPR awareness within the enforcement community a priority through training and public awareness programs. The U.S. Department of Commerce (DOC) conducted a judicial training on intellectual property rights in Teslic, RS in early 2016. DOC supports other capacity building for judiciary in intellectual property, including assistance with writing and publishing a judicial bench book and promoting the international arbitration regime in Bosnia.

For additional information about treaty obligations and points of contact at local IP offices, please see WIPO's country profiles at [www.wipo.int/directory/en/](http://www.wipo.int/directory/en/).

Embassy point of contact:

Janet Kennedy  
Economic and Commercial Officer  
email: [KennedyJM2@state.gov](mailto:KennedyJM2@state.gov)  
Phone: +387 33 704 515

Embassy lawyers list link: [www.sarajevo.usembassy.gov/lawyers.html](http://www.sarajevo.usembassy.gov/lawyers.html)

### Transparency of the Regulatory System

The government has adequate laws to foster competition; however, due to corruption, laws are often not implemented transparently or efficiently. The multitude of state, entity, cantonal (in the Federation only), and municipal administrations – each with the power to establish laws and regulations affecting business – creates a heavily bureaucratic, non-transparent system. Foreign investors have criticized government and public procurement tenders for a lack of openness and transparency. Dispute resolution is also challenging as the judicial system moves slowly, often does not adhere to existing deadlines, and provides no recourse if the company in question re-registers under a different name. It is difficult to know all of the laws or rules that might apply to certain business activities, given overlapping jurisdictions and the lack of any central source of information. Foreign investors often, therefore, obtain local assistance and advice. In an effort to promote the growth of business in its entity, the Republika Srpska government passed a series of amendments in fall and winter 2013 to create an RS one-stop-shop for business registration. This institution centralizes the process of registering a business, ostensibly making it easier, faster and cheaper for new business owners to register their companies in the RS. The Federation also plans to establish a one-stop-shop.

Businesses are subject to inspections from a number of entity and cantonal/municipal agencies including the financial police, labor inspectorate, market inspectorate, sanitary inspectorate, health inspectorate, fire-fighting inspectorate, environmental inspectorate, institution for the protection of cultural monuments, tourism and food inspectorate, construction inspectorate, communal inspectorate, and

veterinary inspectorate. Some investors have complained about non-transparent fees levied during inspections, changing rules and regulations, and an ineffective appeals process to protest these fines.

### Efficient Capital Markets and Portfolio Investment

Capital markets remain underdeveloped in BiH. Both entities have created their own modern stock market infrastructure with separate stock exchanges in Sarajevo (SASE) and Banja Luka (BLSE), both of which started trading in 2002. The small size of the markets, lack of privatization, and public mistrust of previous privatization programs has impeded the development of the capital market. During the global economic crisis, foreign investment dwindled and investors saw previous gains dissipate on both exchanges. Foreign investment has shown no signs of growth since 2008, shaped not only by the global financial crisis but also by BiH's lack of political stability and slowdown of reforms. Both the RS and Federation issued government securities for the first time during 2011, as part of their plans to raise capital in support of their budget deficits during this period of economic stress. Both entity governments continue to issue government securities in order to fill budget gaps. These securities are also available for secondary market trading on the stock exchanges. On March 11, 2016 Standard & Poor's (S&P) affirmed BiH's B/B long-and short-term foreign and local currency sovereign credit ratings. The agency kept the outlook stable based on its expectation that the country will continue to receive stable creditor support. In the rationale, the S&P noted that BiH's ratings were constrained by the country's multilayered and overlapping government institutions that complicate its policymaking process and delay the implementation of reforms. Other factors constraining the country's rating are its weak fiscal management framework and its persistent current account deficits. On the other hand, the rating agency expects Bosnia to continue receiving international support and to sign a new deal with the IMF in the first half of 2016. Such an agreement is expected to unlock additional funding from the EU and the World Bank and help the government to implement the EU Reform Agenda. S&P forecasts real GDP growth to average at just under 3 percent annually - this is in line with World Bank and IMF projections - led by exports, in 2015-18. It also sees investment financed by multilateral institutions, as well as private projects (particularly in the energy sector), as important growth drivers.

### Money and Banking System

Bosnia and Herzegovina's banking and financial system has been relatively stable with the most significant investment coming from Austria. One bank, Hypo Alpe Adria AG, is 80 percent owned by Advent International, an American global private equity firm. Advent International maintains the banking group's operations under a holding company which is based in Austria and operates under an Austrian banking license.

As of March 2016, 25 commercial banks operated in BiH; 17 with headquarters in the Federation and 8 in the Republika Srpska. Twenty four commercial banks are members of a deposit insurance program, which provides for deposit insurance in the amount of KM 50,000 (\$28,000). In 2015 and 2016, two commercial banks in the RS, Bobar Banka, Bijeljina and Banka Srpske, Banja Luka, collapsed. Both banks are currently in the liquidation process.

The banking sector is divided between the two entities with entity Banking Agencies responsible for banking supervision. The BiH Central Bank defines and controls the implementation of monetary policy (via its currency board) and supports and maintains payment and settlement systems. It also

coordinates the activities of the BH Entity Banking Agencies, which are in charge of bank licensing and supervision.

BiH passed a state-level framework law in 2010 mandating the use of international accounting standards, and both entities passed legislation that eliminated differences in standards between the entities and Brčko District. All governments have implemented accounting practices that are fully in line with international norms.

### Competition from State-Owned Enterprises

In BiH, the vast majority of public companies are owned by subnational governments: the two entities and ten cantons. Private enterprises can compete with SOEs under the same terms and conditions with respect to market share, products/services, and incentives. In practice, SOEs have the advantage over private enterprises, especially in sectors such as telecommunications and electricity, where government-owned enterprises hold a near-monopoly and make hefty profits as a direct result of their dominant market position. Generally, government-owned companies are controlled by various alliances of political parties, increasing the possibilities for corruption and inefficient company management. The country is not party to the Government Procurement Agreement within the framework of the WTO.

### OECD Guidelines on Corporate Governance of SOEs

According to a World Bank study which analyzed the application of corporate governance principles in Bosnia and Herzegovina, the country “partially observes” the majority of corporate governance principles. For adhering to the principles of basic stockholders’ rights, shareholders rights, principle stakeholder redress, and creditor rights law and enforcement, BiH received a poorer grade of “largely observed.” In the same study, BiH received a grade of “materially not observed” for not adhering to the following principles: the rights of shareholders to participate in fundamental decisions; Board/Managers’ disclosure of interests; stakeholder disclosure; whistleblower protection; disclosure standards; and acting with due diligence and care.

The governments in each entity have legislation specifying how the government exercises ownership in SOEs. Laws guiding SOE management by government in both entities are in some cases contradictory and overlapping, creating legal uncertainty and making monitoring and enforcement mechanisms weak.

In Bosnia and Herzegovina, political parties exert tremendous influence on the overall economy. Political parties exercise direct control of SOEs through a barter system dependent on pay-offs, elections results, and party coalitions. Management and board appointments are largely dictated by election results. It is the rule rather than the exception that managers and company directors are appointed according to their party affiliation, and more often than not, lack technical expertise or relevant business experience. When SOEs are involved in investment disputes, domestic courts typically rule in the SOE’s favor.

### Sovereign Wealth Funds

BiH does not have a government – affiliated Sovereign Wealth Fund.

## Responsible Business Conduct

Foreign and local companies conduct some corporate social responsibility activities and there is a general awareness of standards for responsible business conduct. More could be done in this area to respond to BiH's various social and economic needs. In general, consumers tend to view favorably companies that initiate and carry out charitable activities in the local market. Corporate governance is not part of the broader economic mindset, and shareholder protection is not a priority. The financial system is not yet developed enough to understand and apply principles of corporate governance and shareholder protection.

## Political Violence

The war in Bosnia and Herzegovina was halted by the Dayton Peace Accords in November 1995. There have been no attacks targeting foreign investments. However, there are still risks from occasional, localized political and criminal violence.

In mid-June 2013 and early 2014, large groups of citizens protested the country's economic stagnation and the government's apparent inability to improve the situation. The vast majority of protests were peaceful with relatively small numbers of participants. The first string of protests took place in Sarajevo, while the second outbreak of protests occurred in several cities throughout the country but mainly within the Federation. Protests in early 2014 in the cities of Sarajevo, Mostar, and Tuzla resulted in attacks on government buildings, destruction of government property, and injury. There were no reports of foreign investors being directly targeted in the protests.

## Corruption

Corruption remains prevalent in many political and economic institutions in Bosnia and Herzegovina and raises the costs and risks of doing business. BiH's overly complex business registration and licensing process is particularly vulnerable to corruption. The multitude of state, entity, cantonal, and municipal administrations, each with the power to establish laws and regulations affecting business, creates a system that lacks transparency and opens opportunities for corruption via parafiscal fees. Paying bribes to obtain necessary business licenses and construction permits, or simply to expedite the approval process, occurs regularly.

Transparency International's (TI) 2015 Corruption Perception Index ranked BiH 76 out of 168 countries. According to TI, relevant institutions lack the will to actively fight corruption; law enforcement agencies and the judiciary are not effective in the prosecution of corruption cases and are exposed to political pressures; and prosecutors complain that citizens generally do not report instances of corruption and do not want to testify in these cases. In 2011, BiH established a state level agency to prevent and coordinate efforts to combat corruption; while officially active, the agency has shown limited results.

Corruption has a corrosive impact on both market opportunities overseas for U.S. companies and the broader business climate. It deters foreign investment, stifles economic growth and development, distorts prices, and undermines the rule of law. U.S. companies must carefully assess the business climate and develop an effective compliance program and measures to prevent and detect corruption, including foreign bribery. U.S. individuals and firms should take the time to become familiar with the

relevant anticorruption laws of both BiH and the United States in order to properly comply, and where appropriate, seek the advice of legal counsel.

The U.S. Government seeks to level the global playing field for U.S. businesses by encouraging other countries to take steps to criminalize their own companies' acts of corruption, including bribery of foreign public officials, and uphold obligations under relevant international conventions. A U.S. firm that believes a competitor is seeking to use bribery of a foreign public official to secure a contract should bring this to the attention of appropriate U.S. agencies.

U.S. firms should become familiar with local anticorruption laws, and, where appropriate, seek legal counsel. While the U.S. Department of Commerce cannot provide legal advice on local laws, the Department's U.S. and Foreign Commercial Service can provide assistance with navigating the host country's legal system and obtaining a list of local legal counsel.

The U.S. Department of Commerce offers several services to aid U.S. businesses. For example, the U.S. and Foreign Commercial Service can provide services that may assist U.S. companies in conducting due diligence when choosing business partners or agents overseas and provide support for qualified U.S. companies bidding on foreign government contracts. For a list of U.S. Foreign and Commercial Service offices, please visit the Commercial Service website: [www.trade.gov/cs](http://www.trade.gov/cs)

Alleged corruption by foreign governments or competitors can be brought to the attention of appropriate U.S. government officials, including U.S. Embassy personnel or through the Department of Commerce Trade Compliance Center "Report a Trade Barrier" Website at:

[www.tcc.export.gov/Report\\_a\\_Barrier/index.asp](http://www.tcc.export.gov/Report_a_Barrier/index.asp)

#### **UN Anticorruption Convention, OECD Convention on Combatting Bribery**

BiH signed and ratified the UN Anticorruption Convention in October 2006. BiH is also party to the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions.

Contact at government agency or agencies responsible for combating corruption:

BiH Agency for the Prevention of Corruption and Coordination of the Fight against Corruption

Phone: +387 57 322 540

email: [kontakt@apik.ba](mailto:kontakt@apik.ba)

[www.apik.ba](http://www.apik.ba)

Contact at "watchdog" organization (international, regional, local or nongovernmental organization operating in the country/economy that monitors corruption):

Transparency International BiH

Phone: +387 51 216928

Fax: +387 51 216369

email: [info@ti-bih.org](mailto:info@ti-bih.org)

[www.ti-bih.org](http://www.ti-bih.org)

The U.S. Government seeks to level the global playing field for U.S. businesses by encouraging other countries to take steps to criminalize their own companies' acts of corruption, including bribery of

foreign public officials, by requiring them to uphold their obligations under relevant international conventions. A U. S. firm that believes a competitor is seeking to use bribery of a foreign public official in international business, for example to secure a contract, should bring this to the attention of appropriate U.S. agencies, as noted below.

**U.S. Foreign Corrupt Practices Act:** In 1977, the United States enacted the Foreign Corrupt Practices Act (FCPA), which generally makes it unlawful for U.S. persons and businesses (domestic concerns), and U.S. and foreign public companies listed on stock exchanges in the United States or which must file periodic reports with the Securities and Exchange Commission (issuers), to offer, promise or make a corrupt payment or anything of value to foreign officials to obtain or retain business. The FCPA also applies to foreign firms and persons who take any act in furtherance of such a corrupt payment while in the United States. In addition to the anti-bribery provisions, the FCPA contains accounting provisions applicable to public companies. The accounting provisions require issuers to make and keep accurate books and records and to devise and maintain an adequate system of internal accounting controls. The accounting provisions also prohibit individuals and businesses from knowingly falsifying books or records or knowingly circumventing or failing to implement a system of internal controls. In order to provide more information and guidance on the statute, the Department of Justice and the Securities and Exchange Commission published *A Resource Guide to the U.S. Foreign Corrupt Practices Act*, available in PDF at:

<http://www.justice.gov/criminal/fraud/fcpa/guidance/>. For more detailed information on the FCPA generally, see the Department of Justice FCPA website at: <http://www.justice.gov/criminal/fraud/fcpa/>.

**Other Instruments:** It is U.S. Government policy to promote good governance, including host countries' implementation and enforcement of anti-corruption laws and policies pursuant to their obligations under international agreements. Since enactment of the FCPA, the United States has been instrumental to the expansion of the international framework to fight corruption. Several significant components of this framework are the Convention on Combating Bribery of Foreign Public Officials in International Business Transactions negotiated under the auspices of the OECD (Antibribery Convention), the United Nations Convention against Corruption (UN Convention), the Inter-American Convention against Corruption (OAS Convention), the Council of Europe Criminal and Civil Law Conventions, and a growing list of U.S. free trade agreements. This country is party to [add instrument to which this country is party].

**OECD Antibribery Convention:** The Antibribery Convention entered into force in February 1999. As of January 2016, there are 41 parties to the Convention, including the United States (see <http://www.oecd.org/corruption/oecdantibriberyconvention.htm>). Major exporters China and India are not parties, although the U.S. Government strongly endorses their eventual accession to the Antibribery Convention. The Antibribery Convention obligates the Parties to criminalize bribery of foreign public officials in international business transactions, which the United States has done under U.S. FCPA. [Insert information as to whether your country is a party to the Antibribery Convention and has a foreign bribery law.]

**UN Convention:** The UN Convention entered into force on December 14, 2005, and there are 178 parties to it as of January 2016 (see <http://www.unodc.org/unodc/en/treaties/CAC/signatories.html>). The UN Convention requires countries to establish criminal and other offences to cover a wide range of acts of corruption, from basic forms of corruption such as bribery and solicitation, embezzlement, and trading in influence to the concealment and laundering of the proceeds of corruption. The Convention

contains transnational business bribery provisions that are functionally similar to those in the OECD Antibribery Convention and contains provisions on private sector auditing and books and records requirements. Other provisions address matters such as prevention, international cooperation, and asset recovery. [Insert information as to whether your country is a party to the UN Convention.]

**OAS Convention:** In 1996, the Member States of the Organization of American States (OAS) adopted the first international anticorruption legal instrument, the Inter-American Convention against Corruption (OAS Convention), which entered into force in March 1997. The OAS Convention, among other things, establishes a set of preventive measures against corruption, provides for the criminalization of certain acts of corruption, including transnational bribery and illicit enrichment, and contains a series of provisions to strengthen the cooperation between its States Parties in areas such as mutual legal assistance and technical cooperation. As of January 2016, the OAS Convention has 34 parties (see <http://www.oas.org/juridico/english/Sigs/b-58.html>) and the follow-up mechanism created in 2001 (MESICIC) has 31 members (see [http://www.oas.org/juridico/english/mesicic\\_intro\\_en.htm](http://www.oas.org/juridico/english/mesicic_intro_en.htm)). [Insert information as to whether your country is a party to the OAS Convention.]

**Council of Europe Criminal Law and Civil Law Conventions on Corruption:** Many European countries are parties to either the Council of Europe (CoE) Criminal Law Convention on Corruption, the Civil Law Convention on Corruption, or both. The Criminal Law Convention requires criminalization of a wide range of national and transnational conduct, including bribery, money-laundering, and accounting offenses. It also incorporates provisions on liability of legal persons and witness protection. The Civil Law Convention includes provisions on whistleblower protection, compensation for damage relating to corrupt acts, and nullification of a contract providing for or influenced by corruption, inter alia. The Group of States against Corruption (GRECO) was established in 1999 by the CoE to monitor compliance with these and related anti-corruption standards. Currently, GRECO comprises 49 member States (48 European countries and the United States). See [http://www.coe.int/t/dghl/monitoring/greco/general/about\\_en.asp](http://www.coe.int/t/dghl/monitoring/greco/general/about_en.asp). As of January 2016, the Criminal Law Convention has 44 parties and the Civil Law Convention has 35 (see <http://conventions.coe.int/Treaty/Commun/QueVoulezVous.asp?CL=ENG&NT=173>; <http://conventions.coe.int/Treaty/Commun/QueVoulezVous.asp?CL=ENG&NT=174>). [Insert information as to whether your country is a party to the Council of Europe Conventions.]

**Free Trade Agreements:** While it is U.S. Government policy to include anticorruption provisions in free trade agreements (FTAs) that it negotiates with its trading partners, the anticorruption provisions have evolved over time. The most recent FTAs negotiated now require trading partners to criminalize “active bribery” of public officials (offering bribes to any public official must be made a criminal offense, both domestically and trans-nationally) as well as domestic “passive bribery” (solicitation of a bribe by a domestic official). All U.S. FTAs may be found at the U.S. Trade Representative Website: <http://www.ustr.gov/trade-agreements/free-trade-agreements>. [Insert information as to whether your country has an FTA with the United States: Country [X] has a free trade agreement (FTA) in place with the United States. The [name of FTA] came into force in [date].]

**Local Laws:** U.S. firms should familiarize themselves with local anticorruption laws, and, where appropriate, seek legal counsel. While the U.S. Department of Commerce cannot provide legal advice on local laws, the Department’s U.S. and Foreign Commercial Service can provide assistance with navigating the host country’s legal system and obtaining a list of local legal counsel.

**Assistance for U.S. Businesses:** The U.S. Department of Commerce offers several services to aid U.S. businesses seeking to address business-related corruption issues. For example, the U.S. and Foreign Commercial Service can provide services that may assist U.S. companies in conducting their due diligence as part of the company's overarching compliance program when choosing business partners or agents overseas. The U.S. and Foreign Commercial Service can be reached directly through its offices in every major U.S. and foreign city, or through its website at [www.trade.gov/cs](http://www.trade.gov/cs).

The United States provides commercial advocacy on behalf of exporters of U.S. goods and services bidding on public sector contracts with foreign governments and government agencies. An applicant for advocacy must complete a questionnaire concerning its background, the relevant contract, and the requested U.S. Government assistance. The applicant must also certify that it is in compliance with applicable U.S. law, that it and its affiliates have not and will not engage in bribery of foreign public officials in connection with the foreign project, and that it and its affiliates maintain and enforce a policy that prohibits bribery of foreign public officials. Problems, including alleged corruption by foreign governments or competitors, encountered by U.S. companies in seeking such foreign business opportunities can be brought to the attention of appropriate U.S. government officials, including local embassy personnel, and reported through the Department of Commerce Trade Compliance Center "Report a Trade Barrier" Website at [tcc.export.gov/Report\\_a\\_Barrier/index.asp](http://tcc.export.gov/Report_a_Barrier/index.asp). Potential violations of the FCPA can be reported to the Department of Justice via email to [FCPA.Fraud@usdoj.gov](mailto:FCPA.Fraud@usdoj.gov).

**Guidance on the U.S. FCPA:** The Department of Justice's (DOJ) FCPA Opinion Procedure enables U.S. firms and individuals and issuers to request a statement of the Justice Department's present enforcement intentions under the anti-bribery provisions of the FCPA regarding actual, prospective business conduct. The details of the opinion procedure are available on DOJ's Fraud Section Website at [www.justice.gov/criminal/fraud/fcpa](http://www.justice.gov/criminal/fraud/fcpa) and general information is contained in Chapter 9 of the publication *A Resource Guide to the U.S. Foreign Corrupt Practices Act*, at <http://www.justice.gov/criminal/fraud/fcpa/guidance/>. Although the Department of Commerce has no enforcement role with respect to the FCPA, it supplies general information to U.S. exporters who have questions about the FCPA and about international developments concerning the FCPA. For further information, see the Office of the General Counsel, U.S. Department of Commerce, website, at <http://www.commerce.gov/os/ogc/transparency-and-anti-bribery-initiatives>. More general information on the FCPA is available at the websites listed below.

Exporters and investors should be aware that generally all countries prohibit the bribery of their public officials, and prohibit their officials from soliciting bribes under domestic laws. Most countries are required to criminalize such bribery and other acts of corruption by virtue of being parties to various international conventions discussed above.

### **Anti-Corruption Resources**

Some useful resources for individuals and companies regarding combating corruption in global markets include the following: Information about the U.S. Foreign Corrupt Practices Act (FCPA), including *A Resource Guide to the U.S. Foreign Corrupt Practices Act*, translations of the statute into numerous languages, documents from FCPA related prosecutions and resolutions, and press releases are available at the U.S. Department of Justice's Website at: <http://www.justice.gov/criminal/fraud/fcpa> and <http://www.justice.gov/criminal/fraud/fcpa/guidance/>

The U.S. Securities and Exchange Commission FCPA Unit also maintains an FCPA website, at: <https://www.sec.gov/spotlight/fcpa.shtml>. The website, which is updated regularly, provides general information about the FCPA, links to all SEC enforcement actions involving the FCPA, and contains other useful information.

General information about anticorruption and transparency initiatives, relevant conventions and the FCPA, is available at the Department of Commerce Office of the General Counsel website: <http://www.commerce.gov/os/ogc/transparency-and-anti-bribery-initiatives>

The Trade Compliance Center hosts a website with anti-bribery resources, at <http://tcc.export.gov/Bribery>. This website contains an online form through which U.S. companies can report allegations of foreign bribery by foreign competitors in international business transactions

Additional country information related to corruption can be found in the U.S. State Department's annual *Human Rights Report* available at <http://www.state.gov/g/drl/rls/hrrpt/>.

Information about the OECD Antibribery Convention including links to national implementing legislation and country monitoring reports is available at:

<http://www.oecd.org/corruption/oecdantibriberyconvention.htm> See also Antibribery Recommendation <http://www.oecd.org/daf/anti-bribery/oecdantibriberyrecommendation2009.htm> and Good Practice Guidance Annex for companies: <http://www.oecd.org/daf/anti-bribery/44884389.pdf>.

GRECO monitoring reports can be found at:

[http://www.coe.int/t/dghl/monitoring/greco/evaluations/index\\_en.asp](http://www.coe.int/t/dghl/monitoring/greco/evaluations/index_en.asp)

MESICIC monitoring reports can be found at:

[http://www.oas.org/juridico/english/mesicic\\_intro\\_en.htm](http://www.oas.org/juridico/english/mesicic_intro_en.htm)

The Asia Pacific Economic Cooperation (APEC) Leaders have also recognized the problem of corruption and APEC Member Economies have developed anticorruption and ethics resources in several working groups, including the Small and Medium Enterprises Working Group, at <http://businessethics.apec.org/>, and the APEC Anti-Corruption and Transparency Working Group, at <http://www.apec.org/Groups/SOM-Steering-Committee-on-Economic-and-Technical-Cooperation/Working-Groups/Anti-Corruption-and-Transparency.aspx>. For more information on APEC generally, <http://www.apec.org/>.

There are many other publicly available anticorruption resources which may be useful, some of which are listed below without prejudice to other sources of information that have not been included. (The listing of resources below does not necessarily constitute U.S. Government endorsement of their findings.)

Transparency International (TI) publishes an annual Corruption Perceptions Index (CPI). The CPI measures the perceived level of public-sector corruption in approximately 180 countries and territories around the world. The CPI is available at: <http://www.transparency.org/research/cpi/overview>. TI also publishes an annual *Global Corruption Report* which provides a systematic evaluation of the state of corruption around the world. It includes an in-depth analysis of a focal theme, a series of country reports that document major corruption related events and developments from all continents, and an

overview of the latest research findings on anti-corruption diagnostics and tools. See <http://www.transparency.org/research/gcr>.

The World Bank Institute's Worldwide Governance Indicators (WGI) project reports aggregate and individual governance indicators for 215 economies over the period 1996-2014, for six dimensions of governance (Voice and Accountability, Political Stability and Absence of Violence, Government Effectiveness, Regulatory Quality, Rule of Law, and Control of Corruption). See <http://info.worldbank.org/governance/wgi/index.aspx#home>

The World Bank Business Environment and Enterprise Performance Surveys may also be of interest and are available at: <http://data.worldbank.org/data-catalog/BEEPS>. See also the World Bank Group *Doing Business* reports, a series of annual reports measuring regulations affecting business activity, available at: <http://www.doingbusiness.org/>

The World Economic Forum publishes every two years the *Global Enabling Trade Report*, which assesses the quality of institutions, policies and services facilitating the free flow of goods over borders and to their destinations. At the core of the report, the Enabling Trade Index benchmarks the performance of 138 economies in four areas: market access; border administration; transport and communications infrastructure; and regulatory and business environment. See <http://www.weforum.org/reports/global-enabling-trade-report-2014>.

Global Integrity, a nonprofit organization, publishes its annual *Global Integrity Report*, which typically assesses anti-corruption and good governance mechanisms in diverse countries. For more information on the report, see <https://www.globalintegrity.org/global-report/what-is-gi-report/>.

## Bilateral Investment Agreements

### **Bilateral Taxation Treaties**

BiH has signed/ratified 42 agreements to promote and protect investments with the following countries: Albania, Austria, Belgium, Belarus, China, Croatia, Czech Republic, Denmark, Egypt, Finland, France, Germany, Greece, Netherlands, Hungary, India, Iran, Italy, Jordan, Kuwait, Lithuania, Luxembourg, Macedonia, Malaysia, Moldova, Montenegro, Netherlands, Pakistan, Portugal, Qatar, Romania, Serbia, Libya, Slovakia, Slovenia, Spain, Sweden, Switzerland, Turkey, UAE, Ukraine, and the United Kingdom.

BiH does not have a bilateral investment treaty with the United States.

BiH had been designated as a beneficiary country under the United States Generalized System of Preferences (GSP) program; On June 29, 2015, President Obama signed legislation reauthorizing the Generalized System of Preferences (GSP) program for BiH through December 31, 2017. Between 2010 - 2015, BiH exported to the U.S. over \$22 million worth of goods eligible for the GSP program.

The Interim Agreement on Trade and Trade-related matters (IA) between the European Union and Bosnia and Herzegovina is currently in force. According to the IA, all goods of BiH origin that fulfill EU technical-technological standards and conditions can be imported to all EU countries without any quantitative restrictions and without paying customs or other similar duties. Only sugar, wine, fish, and baby beef are subject to specific quotas beyond which duties are to be paid by Bosnia and Herzegovina

for the export to the EU. Since 2009, import tariffs have been eliminated for more than 11,000 products that BiH imports from the EU. With Croatia's accession to the EU in 2013, Bosnia and Herzegovina now imposes substantial import duties on agricultural products from Croatia, in particular on milk and certain meat and meat products. The EU has raised concerns over these agricultural import duties, and is negotiating to lower/eliminate these as part of BiH's process of accession to the EU.

### OPIC and Other Investment Insurance Programs

Overseas Private Investment Corporation (OPIC) activities in BiH include insurance for investors against political risk; coverage of losses due to expropriation of assets, political violence, and currency inconvertibility; and insurance coverage for contracting, exporting, licensing and leasing transactions.

Political risk insurance is also available from the EU Investment Guarantee Trust for BiH, administered by the Multilateral Investment Guarantee Agency, a World Bank affiliate.

### Labor

BiH has a workforce with lower labor costs by western standards, and university enrollments have been increasing for a number of years. However, several sectors such as construction, information technology, and health care have experienced a significant loss of skills over the past decade due to a lack of education and job training opportunities, as well as emigration. Tax rates on labor are high, discouraging employment of new workers and increasing incentives for unregistered employment. Current labor legislation provisions make it difficult to dismiss redundant and inefficient workforce.

The rigid wage determination system stands in the way of job creation and worker mobility. This is a result of a collective bargaining system that retains most of its socialist era characteristics. Employees and employers share the costs of health care, pension, and unemployment insurance in the Federation while in the Republika Srpska employers cover all of these costs, as well as child care and unemployment contributions. Many employers underreport their labor force to avoid paying taxes and benefits, creating a significant gray market. Official unemployment is approximately 44 percent. However, unemployment based on the ILO definition, which factors in unregistered workers in the "gray economy," is approximately 27 percent. Youth unemployment is estimated to be 60 percent.

Both Entities recently passed new labor laws. The new labor laws are critical to modernizing the BiH labor code - a system inherited from former Yugoslavia that is rigid, outdated, and unfriendly to businesses. The laws should reduce the cost of employment and ease of hiring and firing for private companies and the public sector. The laws should also decrease or eliminate costly benefits that are out of line with European standards and streamline hiring and firing. Reforming the labor laws in BiH has been a long and challenging process that the governments avoided for years. The passage of the new labor laws represents an important first step toward economic reform that will modernize the BiH labor market and bring it closer to EU standards.

## Foreign Trade Zones/Free Ports/Trade Facilitation

The BiH Law on Free Trade Zones allows the establishment of free trade zones (FTZs) as part of the customs territory of BiH. Currently there are four free trade zones in BiH: Vogosca, Visoko, Hercegovina-Mostar, and Holc Lukavac. One or more domestic or foreign legal entities registered in BiH may create a FTZ.

FTZ users do not pay taxes and contributions, with the exception of those related to salaries and wages. Investors are free to invest capital in the FTZ, transfer their profits, and retransfer capital. Customs and tariffs are not paid on imports into FTZs. FTZ is considered economically justified if the submitted feasibility study and other evidence can prove that the value of goods exported from a free zone will exceed at least 50% of the total value of manufactured goods leaving the free zone within the period of 12 months.

## Foreign Direct Investment and Foreign Portfolio Investment Statistics

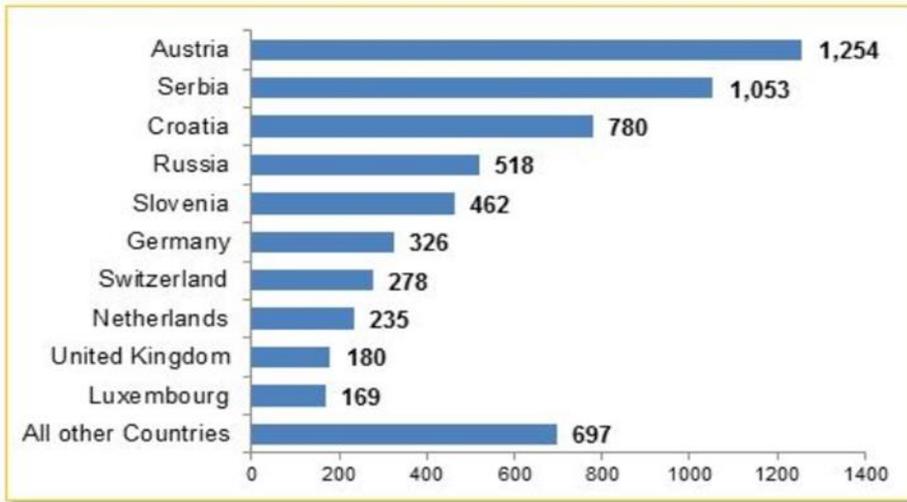
According to the BiH Central Bank foreign direct investment (FDI) totaled \$420 million in 2014 and \$180 million in the first half of 2015, as compared to an all-time high of \$2.1 billion in 2007. Most investments in 2012-2015 came from Russia, Austria, Croatia, Serbia, Kuwait, and the United Kingdom.

Table 2: Key Macroeconomic Data, U.S. FDI in Host Country/Economy

Economic Data	Host Country Statistical source*		USG or international statistical source		USG or International Source of Data: BEA; IMF; Eurostat; UNCTAD, Other
	Year	Amount	Year	Amount	
<b>Host Country Gross Domestic Product (GDP) (\$M USD)</b>	2014	\$18.3 billion	2014	\$18.3 billion	<a href="http://www.worldbank.org/en/country/bosniaandherzegovina">http://www.worldbank.org/en/country/bosniaandherzegovina</a>
<b>Foreign Direct Investment</b>	Host Country Statistical source*		USG or international statistical source		USG or international Source of data: BEA; IMF; Eurostat; UNCTAD, Other
<b>U.S. FDI in partner country (\$M USD, stock positions)</b>	2014	\$170 million		N/A	N/A
<b>Host country's FDI in the United States (\$M USD, stock positions)</b>	2014	\$0		\$0	N/A
<b>Total inbound stock of FDI as % host GDP</b>	2014	N/A		N/A	N/A

Total FDI stock as of December 31, 2014

Top investor countries in B&H  
 May 1994 - December 2014 – Total amount 6 billion EUR  
 Million EUR



Source: BiH Central Bank

Table 3: Sources and Destination of FDI

Direct Investment from/in Counterpart Economy Data					
From Top Five Sources/To Top Five Destinations (US Dollars, Millions)					
Inward Direct Investment			Outward Direct Investment		
Total Inward	Amount	100%	Total Outward	N/A	100%
Austria	1,680	24%			
Serbia	852	12%			
Croatia	851	12%			
Slovenia	742	11%			
Germany	456	6%			

"0" reflects amounts rounded to +/- USD 500,000.

Contact for More Information on the Investment Climate Statement:

United States Embassy Sarajevo  
 Economic/Commercial Section  
 Robert C. Frasure 1  
 71000 Sarajevo  
 Bosnia and Herzegovina  
 Ph. +387-33-704-000  
 Fax. +387-33-659-722

email: [SarajevoEcon@state.gov](mailto:SarajevoEcon@state.gov)

website: [www.sarajevo.usembassy.gov/business.html](http://www.sarajevo.usembassy.gov/business.html)

## Trade & Project Financing

### Methods of Payment

The following financial instruments are used in BiH to make payments abroad: documentary collections, checks, and letters of credit. The safest method of receiving payment for a U.S. export sale is cash-in-advance and/or irrevocable letter of credit. However, most importers prefer to avoid this costly instrument. Many claim to do business on open account terms with their European suppliers. Nevertheless, a confirmed letter of credit should be a minimum term. Companies that acquire capital goods expect the vendor to provide financing, preferably in the form of a loan.

### Banking System

With a growing number of foreign banks present in the country (83 percent of the total bank capital), competition is strong and banks are beginning to offer an extended product range of financial instruments (credit cards, consumer loans, mortgages). However, the level of bank intermediation remains low, due to the slow restructuring of the economy. Small and medium size enterprises still experience difficulties obtaining long-term credit, a problem exacerbated by the uncertain global economy. Inadequate secured transaction regulations and an inefficient court system make collateral foreclosure difficult and increase the cost of capital. There are currently 26 commercial banks operating in BiH, 17 in the Federation and 9 in the RS.

The BiH Central Bank (CCBiH) ([www.cbbh.ba](http://www.cbbh.ba)) is the country's monetary authority. Its goal is to maintain monetary stability under the present currency board arrangement, with full coverage in freely convertible foreign exchange funds under a fixed exchange rate of 1 KM: EUR 0.51129. In addition, the CCBiH supports and maintains appropriate payment and settlement systems and co-ordinates the activities related to supervision of commercial banks. The Central Bank of BiH also coordinates the activities of the bank regulatory agencies in the two entities, which are in charge of bank licensing and supervision.

### Foreign Exchange Controls

In accordance with the BiH Law on the Central Bank, neither the Central Bank nor any other relevant institution may impose payment restrictions on international transactions, except when the Central Bank deems it indispensable to meet BiH's obligations under international treaties or law.

Commercial banks and financial institutions in BiH may publicly trade in domestic and foreign currency without restrictions according to the law. The foreign exchange and payment system has no restrictions (no administrative management nor limits) on payments and transfers related to international current and capital transactions. In commercial banks, there are no restrictions for individuals or businesses (domestic and foreign) on opening accounts in domestic or any foreign currency, on exchanging KM for any foreign currency, or in payments to foreign partners.

In both the Federation and the RS, the Law on Foreign Exchange Operations regulates foreign exchange operations. These laws extend identical treatment to domestic and foreign physical and legal entities.

## US Banks & Local Correspondent Banks

There are no U.S. banks in BiH. The following are the largest banks in BiH that maintain U.S. correspondent banking arrangements:

Raiffeisen Bank dd Bosna i Hercegovina (Austrian)

Phone: (+387) 33 755 010

Zmaja od Bosne bb

71000 Sarajevo

[www.raiffeisenbank.ba](http://www.raiffeisenbank.ba)

UniCredit Bank dd (Italian)

Phone: (+387) 36 312 112

Kardinala Stepinca bb

88000 Mostar

[www.unicreditbank.ba](http://www.unicreditbank.ba)

Sparkasse Bank dd (Austrian)

Phone: +387 33 280 300

Zmaja od Bosne 7,

71000 Sarajevo

[www.sparkasse.ba](http://www.sparkasse.ba)

Hypo Alpe-Adria-Bank dd BiH (Austrian)

Phone: (+387) 36 444 444

Kneza Branimira bb

88000 Mostar

[www.hypo-alpe-adria.ba](http://www.hypo-alpe-adria.ba)

Intesa Sanpaolo Banka Bosna i Hercegovina (Italian)

Phone: (+387) 33 497 500

Obala Kulina Bana 9a

71000 Sarajevo

[www.intesasanpaolobanka.ba](http://www.intesasanpaolobanka.ba)

Sberbank BH dd Sarajevo (Russian)

Phone: (+387) 33 295 601

Fra Andjela Zvizdovica 1

71000 Sarajevo

[www.sberbank.ba](http://www.sberbank.ba)

NLB Razvojna Banka (Slovenian)

Phone: (+387) 51 221 620

Milana Tepica 4, 78000 Banja Luka

[www.razvojnabanka.com](http://www.razvojnabanka.com)

## Project Financing

International financial institutions including the World Bank, the European Bank for Reconstruction and Development (EBRD), and the European Investment Bank (EIB) are the most important sources of project financing for which procurement is open to U.S. bidders.

### World Bank

The World Bank has committed \$1.3 billion since 1996 to BiH through 62 projects involving rehabilitation of industries, infrastructure, housing, education, health care, and landmine clearance. These funds have been used to purchase goods and equipment, build infrastructure, and obtain the consulting services needed to implement these projects. World Bank borrowers are required to submit timely notification of bidding opportunities and to advertise these opportunities and expressions of interest.

- The [Development Gateway Market \(dgMarket\)](http://www.dgmarket.com/) (<http://www.dgmarket.com/>) is a global online marketplace providing information on donor and government-funded tenders. Currently, dgMarket publishes tender notices for projects funded by the African Development Bank, the Asian Development Bank, Europe Aid, EBRD, European Investment Bank, EU member states, Phare/Tacis, and the World Bank. For more information, contact: [info@dgmarket.com](mailto:info@dgmarket.com).
- The United Nations publishes [UN Development Business](http://www.devbusiness.com) (<http://www.devbusiness.com>) which provides information on business opportunities generated through the World Bank, regional development banks, and other development agencies. Development Business is available in either print format or by online subscription. For more information contact the Development Business Liaison Office at Tel: (202) 458-2397; Fax: (202) 522-3316 or E-mail: [dbusiness@worldbank.org](mailto:dbusiness@worldbank.org)

### European Bank for Reconstruction and Development (EBRD)

With EUR 1.3 billion (\$ 1.62 billion) since 1996 committed toward various projects in the financial, telecommunications, road, railways, and civil aviation sectors, the EBRD is one of the largest lenders in BiH.

### European Bank for Reconstruction and Development (EBRD)

Fra Andjela Zvizdovica 1 B-15

71000 Sarajevo BiH

Phone: (+387) (33) 667-945

<http://www.ebrd.com/pages/country/bosniaandherzegovina.shtml>

### European Investment Bank (EIB)

The European Investment Bank (EIB) has been active in BiH since 2000 and has funded numerous projects in the industry, railways, and road sectors in the amount of EUR 1.1 billion (approximately \$ 1.4 billion). For additional information on EIB, its projects, and procurement rules, please visit the following websites:

- <http://www.eib.org>
- <http://www.eib.org/projects/>
- <http://www.eib.org/publications/publication.asp?publ=44>

### U.S. Export Import Bank (Ex-Im Bank)

The Export-Import Bank of the United States (<http://www.exim.gov/>) is the official export credit agency of the United States. Ex-Im Bank's mission is to assist in financing the export of U.S. goods and services to international markets. Ex-Im Bank provides working capital guarantees (pre-export financing); export credit insurance (post-export financing); loan guarantees and direct loans (buyer financing). On average, 85 percent of Ex-Im Bank's transactions directly benefit U.S. small businesses. Since October 2002, Ex-Im Bank is open for private sector transactions in BiH and will consider business for short- and medium-term transactions in the private sector.

Export-Import Bank of the United States  
811 Vermont Avenue, N.W. Washington, DC 20571  
Phone: (202) 565 3477  
<http://www.exim.gov/>

#### U.S. Trade and Development Agency (USTDA)

USTDA is an independent U.S. government agency that promotes American private sector participation in developing and middle-income countries, with special emphasis on economic sectors that represent significant U.S. export potential. USTDA helps U.S. businesses compete for infrastructure projects in emerging markets by funding feasibility studies, orientation visits, specialized training grants, and various forms of technical assistance. In the past, USTDA program funds have supported numerous projects in Bosnia in the energy, telecommunications, transportation, and environmental technology sectors.

U.S. Trade and Development Agency (USTDA): Middle East, North Africa and Europe Region  
1000 Wilson Blvd., Suite 1600  
Arlington, VA 22209 USA  
Phone: (703) 875-4357  
mena\_europe@ustda.gov  
<http://www.ustda.gov>

#### Overseas Private Investment Corporation (OPIC)

OPIC is a self-sustaining U.S. Government agency that sells investment services to small, medium and large American businesses expanding into emerging markets around the world. OPIC's three main activities are risk insurance, project finance, and investment funds. OPIC has a limit on financing through the investment guaranty and the direct loan programs of \$ 200 million. The OPIC-sponsored equity funds make their own, commercially based investment decisions while fulfilling OPIC's policy mandates. The most important fund for the region is the \$ 150 million Southeast Europe Equity Fund (SEEF) managed by Soros Private Funds Management.

Overseas Private Investment Corporation (OPIC)  
1100 New York Avenue, N.W.  
Washington, D.C. 20527, USA  
Phone: (202) 336-8647  
<http://www.opic.gov>

## **U.S. Commercial Service Liaison Offices at the Multilateral Development Banks (European Bank for Reconstruction and Development, World Bank)**

The Commercial Service maintains Commercial Liaison Offices in each of the main Multilateral Development Banks, including the European Bank for Reconstruction and Development and the World Bank. These institutions lend billions of dollars in developing countries on projects aimed at accelerating economic growth and social development by reducing poverty and inequality, improving health and education, and advancing infrastructure development. The Commercial Liaison Offices help American businesses learn how to get involved in bank-funded projects, and advocate on behalf of American bidders. Learn more by contacting the Commercial Liaison Offices to the European Bank for Reconstruction and Development (<http://export.gov/ebrd>) and the World Bank (<http://export.gov/worldbank>).

### **Web Resources**

Commercial Liaison Office to the European Bank for Reconstruction and Development:

<http://export.gov/ebrd>

Commercial Liaison Office to the World Bank: <http://export.gov/worldbank>

### Financing Web Resources

World Bank

[www.worldbank.org/en/country/bosniaandherzegovina](http://www.worldbank.org/en/country/bosniaandherzegovina)

European Bank for Reconstruction and Development (EBRD)

[www.ebrd.com/pages/country/bosniaandherzegovina.shtml](http://www.ebrd.com/pages/country/bosniaandherzegovina.shtml)

European Investment Bank (EIB)

[www.eib.org](http://www.eib.org)

U.S. Trade and Development Agency (USTDA): Middle East, North Africa and Europe Region

[www.ustda.gov](http://www.ustda.gov)

## Business Travel

### Business Customs

Business customs in BiH remain an amalgam of old socialist-style habits and newly-acquired business practices. However, the business culture is changing. Over the past decade the business community has benefited from the presence of many international agencies, foreign investors, and technical assistance programs. This change, most obvious in the largest business and industrial centers, has introduced new management, language, IT skills, as well as Western-style business practices. Most of today's managers are fluent in English and are completely computer literate.

The exchange of business cards is a common practice. While most business meetings take place in a formal setting, it is not unusual to discuss business over coffee or lunch. An invitation to dinner should never be rejected; it may be a sign of a serious desire to do business. There are fewer women working in business than men, but they are treated with respect. As is the case in many other countries, local companies prefer to do business with people they know well. Business friendships are highly valued. Establishing a local presence and employing locals signal a long-term commitment to the market. Such practices are well received.

### Travel Advisory

Before traveling to BiH, U.S. citizens should consult the latest U.S. government travel advisory at [http://travel.state.gov/travel/cis\\_pa\\_tw/cis/cis\\_1070.html](http://travel.state.gov/travel/cis_pa_tw/cis/cis_1070.html). Americans in BiH, visiting or residing, are urged to register with the U.S. Embassy in Sarajevo and enroll in the warden system (emergency alert network) in order to obtain updated information on travel and security.

### Visa Requirements

U.S. citizens possessing a valid passport do not need a visa to enter BiH for short-term stays of up to three months while visiting for business or tourism. Foreigners must register with the local police at the nearest police station within 24 hours of arrival, however hotels will do this automatically for their guests. Registration is free for the first three months, regardless of the purpose of the visit. Stays of longer than three months (education, scientific research, employment, engagement in a professional activity, medical treatment, tourism, other justified reasons, or because of marriage to a BiH citizen) require a temporary resident permit, and visitors must apply for the permit before the end of their initial three months in BiH. Foreigners must state the reason for the extended visit and submit evidence of adequate financial support for the duration of their stay in BiH.

The maximum duration of a temporary residence permit is 12 months, with the possibility of a renewal. The fee is KM 100 or approximately \$60. A police certificate indicating that the applicant has no criminal record is required for this permit and should be obtained from the applicant's state of residence in the United States.

The local field office of the Foreigners' Affairs Department of the Bosnian Ministry of Security accepts applications for temporary residence permit. More information on the application procedures can be obtained from the Department's Website <http://www.sps.gov.ba>.

U.S. Companies that require travel of foreign businesspersons to the United States should be advised that security evaluations are handled via an interagency process. Visa applicants should go to the following links.

- U.S. State Department Visa Website: [http://travel.state.gov/visa/visa\\_1750.html](http://travel.state.gov/visa/visa_1750.html)
- Consular Section at U.S. Embassy Sarajevo: <http://sarajevo.usembassy.gov>

## Currency

BiH official currency is the Convertible Mark (KM or BAM). BiH operates a currency board arrangement by which the Bosnian Convertible Mark is pegged to the euro (One Euro = KM 1.958). As a result, the Convertible Mark is one of the most stable currencies in Southeast Europe.

## Telecommunications/Electric

Telecommunications services in BiH are relatively advanced. There are three 900 MHz GSM/3G networks - BH Mobile, m:Tel, and Eronet with solid coverage throughout the country and roaming agreements with most international mobile operators. All mobile operators feature GPRS service. Unfortunately, internet connectivity remains a weak spot. Many hotels do not offer this service, especially outside of Sarajevo, although this is improving.

## Transportation

Air transport is the fastest and most reliable connection between Sarajevo and the outside world. However, travelers in winter experience frequent delays and cancellations due to inclement weather, especially fog and smog, at Sarajevo Airport. There are three other functional international airports, but the Sarajevo Airport accounts for almost 90 percent of total passenger and cargo traffic in BiH. Passenger traffic through Sarajevo is on the rise, with 772,851 travelers in 2015, an 8.7 percent increase compared to 2014. Sarajevo International Airport is served by Austrian Airlines, Lufthansa, Croatia Airlines, German Wings, Turkish Airlines, Swiss Air, Adria Airways, Air Serbia, Qatar Airways, as well as several low cost and charter airlines. Routes connect Sarajevo with Vienna, Munich, Zagreb, Istanbul, Ljubljana, Belgrade, Geneva, Stockholm, Zurich, Cologne, Copenhagen, Oslo, Stuttgart, Doha, and Dubai. The airport features a cargo center with a fully equipped customs warehouse to serve the needs of cargo traffic. The other three airports – Banja Luka, Mostar, and Tuzla -- have occasional commercial charter traffic, which can fluctuate depending on the season. The Banja Luka Airport, the only airport in the RS, is also the only airport in the country with decreasing passenger volume. During the first nine months of 2015, Banja Luka Airport handled 13,393 passengers, a decrease of 18.3 percent compared to the same period in 2014. The airport offers Air Serbia flights to Belgrade five days a week. Tuzla Airport Tuzla Airport, located in northeast BiH, about 50 miles from the Serbian border and 34 miles from the Croatian border, only ran sporadic summer charter flights until 2013 when Hungarian budget airline Wizz Air opened daily flights between Tuzla and Malmo (Sweden) and Basel (Switzerland). Since then, Wizz Air has expanded to include flights to and from Tuzla and Goteborg, Dortmund, Stockholm, Eindhoven, Oslo, and Frankfurt. Wizz Air has fueled spectacular passenger growth over the past two years, with over 220,000 travelers passing through Tuzla in the first 11 months of 2015, an increase of 74.7 percent compared to the same period in 2014. Mostar Airport, located in southwest BiH, about 30

miles from the border with Croatia, currently serves only charter flights, handling approximately 90,000 passengers per year. Most of the flights cater to Italian Catholic pilgrims visiting nearby Medjugorje, the site of alleged apparitions of the Virgin Mary to local Catholics in 1981.

BiH's road and railway systems have seen little improvement since the 1992-95 war. There are only 45 kilometers of limited-access, divided highway in the entire country, although plans are slowly progressing to complete a north-south corridor that will link Sarajevo to northeastern and southern Croatia (Corridor 5c). Driving time from Sarajevo to either Belgrade or Zagreb is four to five hours, and similar driving time to the coast at Dubrovnik or Split. From Banja Luka, it is a two and a half hour drive to Zagreb. Rail travel to the neighboring capitals is considerably slower. Car rental service is available from Budget, Hertz, Avis, National, and Europcar as well as other local car-rental companies.

## Language

There are three main ethnic groups in BiH: Bosniaks (Muslims), Croats (Roman Catholics), and Serbs (Orthodox). The languages spoken in BiH – Bosnian, Serbian, and Croatian – are mutually understandable. When necessary in a conversation, it is best to refer to the language as “the local language,” or B/C/S.

## Health

The water supply in Sarajevo meets World Health Organization standards and, therefore, is not thought to pose a health risk. No lead or bacterial contamination has been found in the tap water in Sarajevo. The local cuisine is very similar to international cuisine and poses no risk. However, fresh vegetables and fruits must be thoroughly washed or peeled before consuming.

Water supply outages have recently affected some parts of Sarajevo. While the city has installed new pipes and pumps in some neighborhoods, it lacks the resources for a comprehensive and much-needed upgrade of the entire system. The effects of illegal construction on the water system further exacerbate the situation. Estimates put the rate of water loss in Sarajevo's system due to corruption and leaking pipes at around 60 to 70 percent.

The drugs found in the pharmacies are usually labeled in the local language but the drugs can still be identified by the generic name. The dosage is measured by the metric system. The following are recommended immunizations for those traveling to BiH: Tetanus, Diphtheria, Measles, Mumps, Rabies, Rubella and Polio vaccines. Typhoid fever vaccine and Hepatitis A and B are recommended for those traveling in rural areas or anticipating extended stays.

Motor vehicle accidents are one of the leading causes of death in BiH. It is strongly recommended to use seatbelts when driving or being driven.

Mines and associated devices were used extensively during the 1992-95 war. While many areas have been cleared of the mines, there is still a significant risk especially near the former confrontation lines. The following advice is given to avoid mines: stay on known safe surfaces, stick to approved routes, do not drive on road shoulders, observe local behavior, and obtain mine information.

Emergency health service is available in most cities. In Sarajevo, the number for emergency service is 124 or 611-111.

### Local Time, Business Hours and Holidays

BiH is in the GMT +1 time zone. Regular business hours are from 8 am to 5 pm; however, most government agencies close at 4 pm. The Federation of BiH and the Republika Srpska observe different holiday schedules. It is recommended to check with the U.S. Embassy regarding local holidays. The Embassy holiday schedule can be found at <http://sarajevo.usembassy.gov/holidays.html>.

Summer break is in full swing during the months of July and August and appointments can be difficult to schedule.

### Temporary Entry of Materials or Personal Belongings

Exemption from customs duties is granted for the following:

- Various business documents including promotional materials such as brochures, other business and legal documents, blueprints, tender documents, bids, tickets, vouchers, printed forms, photographs, and recordings.
- Goods in the personal luggage of travelers including tobacco products (200 cigarettes, or 100 cigarillos, or 250 grams of tobacco per passenger per day), alcoholic beverages (two liters of wine or one liter of alcoholic beverages with the alcohol content above 22 percent), 60 cc/ml of perfume or 250cc/ml of toilet water.
- Goods that are being used for commercial/promotional purposes including goods used and/or consumed at trade fairs including samples, printed materials (brochures, catalogs, price lists, photographs, videos, etc.), equipment, machines and other products that are being displayed at trade fairs, and various items of insignificant commercial value.

### Travel Related Web Resources

U.S. State Department Visa Website

[http://travel.state.gov/visa/visa\\_1750.html](http://travel.state.gov/visa/visa_1750.html)

U.S. Embassy Sarajevo

<http://sarajevo.usembassy.gov>

Ministry of Foreign Affairs of BiH

<http://www.mvp.gov.ba/default.aspx?pageIndex=1>

Sarajevo International Airport

<http://www.sarajevo-airport.ba>

Tuzla Airport

[www.tuzla-airport.ba/](http://www.tuzla-airport.ba/)

Banja Luka Airport  
<http://www.banjaluka-airport.com>

Mostar International Airport  
<http://www.mostar-airport.com>

Budget  
<http://www.budget.co.ba>

Hertz  
<http://www.hertz-europe.com>

Avis  
<http://www.avisworld.com>

# Leading Sectors for US Exports and Investments

## Best Prospect Overview

### Materials for Industrial Processing

#### Overview

There is a longstanding tradition of metal processing in BiH, due to the country's abundance in natural resources such as iron ore, bauxite, lead, zinc, and copper. The metal sector is a significant export driver with robust production growth rate of over ten percent in the past few years. The main export products of the metal sector include aluminum, steel, and automotive industry components. BiH's metal sector exports are primarily oriented towards the EU and Central European Free Trade Agreement (CEFTA) markets. The majority of metal processing companies are small companies (80 percent) while medium sized companies represent 15 percent and large companies represent five percent of companies in the metal sector.

#### Sub-Sector Best Prospects

- Petroleum coke, petroleum bitumen and other residues of petroleum
- Stone coal
- Sodium hydroxide

#### Opportunities

The existing structure of the metal sector, characterized by small companies, provides an opportunity for larger companies to integrate existing primary producers and further develop their business operations. The price of labor in the metal processing industry in BiH is competitive when compared with global market labor costs. Besides materials for industrial processing, small private companies also buy modern computerized equipment and strive to stay updated with current technologies. Many factories are engaged in semi-processing of components for foreign companies based in the EU and neighboring countries.

Top metal processing companies in BiH that present the best sales prospects for U.S. suppliers include Arcelor Mittal Zenica ([www.arcelormittal.com](http://www.arcelormittal.com)), TMD Al Gradačac ([www.tmd-ags.ba](http://www.tmd-ags.ba)), MLM Alutec Bugojno ([www.mlm-mb.si](http://www.mlm-mb.si)), Bekto-Precisa ([www.precisa.ba](http://www.precisa.ba)), FEAL ([www.feal.ba](http://www.feal.ba)), Tvornica Glinice Birač Zvornik ([www.birac.ba](http://www.birac.ba)), Jelšingrad Livnica Čelika Banja Luka ([www.jelšingrad-fam.com](http://www.jelšingrad-fam.com)), and Aluminiij Mostar ([www.aluminij.ba](http://www.aluminij.ba)). Procurement notices can be found on the companies' websites and the best way to access these opportunities is via some form of local presence, either direct or through agents and distributors.

#### Web Resources

BiH Foreign Trade Chamber

<http://www.komorabih.ba>

Ministry of Energy, Mining, and Industry of the Federation of B&H

<http://www.fmeri.gov.ba>

Ministry of Industry, Energy, and Mining of the Republika Srpska  
<http://www.vladars.net/eng/vlada/ministries/MIEM/Pages/default.aspx>

Chamber of Economy of the Federation of BiH  
<http://www.kfbih.com>

Chamber of Commerce and Industry of the Republika Srpska  
<http://www.komorars.ba>

## Energy

### **Electric Power Systems**

#### **Overview**

Electric power generation is a key sector of economic activity in BiH. Electric power is generated in both thermal and hydro power plants, and the country is a net exporter of electrical energy. The generating capacity is about 16,000 GWh. BiH has a comparative advantage in electricity, particularly because of its natural hydropower resources. With investment in new hydropower generation, the country could double its current hydropower production levels.

After the 1992-1995 war, the once-unified power system in BiH was divided into three vertically-integrated companies split along geographic/ethnic lines. The three state-owned electric power generation and distribution companies are: Elektroprivreda BiH (EPBiH), Elektroprivreda Republika Srpske (EPRS), and Elektroprivreda Hrvatske Zajednice Herceg-Bosna (EPHZHB). Early international assistance focused on reconstruction of the physical infrastructure that was destroyed in the war. As part of this effort, the international community spent hundreds of millions of dollars from 1996-2001 on the reconstruction of facilities and networks. International financing, particularly from the World Bank, for physical improvements continues and the U.S. Government has focused on the institutional strengthening and restructuring of the electricity market since 2001.

When BiH's energy infrastructure was constructed from 1948 to 1989, the intention was to create a diversified energy supply that covered the entire country. Therefore, the energy generation makeup of BiH as a whole is roughly 50 percent hydroelectric and 50 percent thermal (coal-fired) generation – an ideal energy mix given that BiH has abundant coal resources and multiple rivers ideal for generating hydropower. As the companies were created along ethnic/geographic lines and not for any technical reasons, there are significant generation disparities between the companies:

	<u>Hydro</u>	<u>Thermal</u>
<u>EPBiH</u>	22%	78%
<u>EPHZHB</u>	100%	0%
<u>EPRS</u>	45%	55%

BiH Electricity Generation Mix in 2015

BiH needs to implement reforms to make the power sector more efficient, transparent, independently regulated, and free from corruption. However, because of structural problems, the governments of the Federation of Bosnia and Herzegovina and the Republika Srpska have not fully capitalized on potential energy investment projects.

In the long run, the World Bank estimates that BiH's energy sector would require more than \$6 billion in investment for modernization, life extension, and new generation facilities for the power generation and coal mines sectors.

## Sub-Sector Best Prospects

- Desulphurization equipment/technology
- Emission control equipment and systems
- Generation equipment for hydro and thermal power plants ( coal)

## Opportunities

BiH's electrical grid has suffered from decades of neglected maintenance and a lack of investment. In April 2014, the two entities finally agreed on a plan to restart investment projects for BiH's electricity transmission grid through the BiH state-level company Elektroprenos BiH (aka Transco). The company began announcing equipment tenders in early 2015. For more information, please visit <http://elprenos.ba/BOS/JavneNabavkeBS.aspx>. According to the published tenders, BiH companies that apply will have preferential treatment.

In the Federation, political disagreements have thwarted attempts to initiate large power generation projects. In 2007, the Federation Ministry of Energy, Mining, and Industry selected four "strategic partners" – international investors with significant expertise in the field – for the construction of seven hydro-power plants and four coal-fired power plants, with a combined installed capacity of 2,000 megawatts and estimated value around \$2.5 billion. In 2011, the Federation Government again announced interest in a massive energy investment scheme, with assurances of a fully transparent selection process. Those plans are still on an indefinite hold.

Some projects appear to be moving forward, albeit many remain in the preliminary phases. In April 2014, EPBiH chose a consortium consisting of China's Gezhouba Group and Guangdong Electric Power Design Institute for the construction of a 450 megawatt (MW) coal-fired unit at its Tuzla power plant; construction costs are estimated at around \$1 billion. The construction and financing contracts for this largest post-war investment in the energy sector in BiH have been recently signed and the construction is expected to start in 2016.

In 2013, the Chinese company Dongfang International Corporation started construction of the Stanari coal-fired power plant in the RS. The project is a collaboration of the Chinese Development Bank (CDB), the energy company EFT Group, Dongfang International Corporation, and the RS government. The CDB provided EFT Group with a structured loan of \$455 million, accounting for 65 percent of the project's total estimated cost of \$715 million. The project is currently underway and commercial operation is scheduled to begin in the second half of 2016.

Comsar Energy Group, a private company owned by Russian businessman Rashid Sardarov, is completing the pre-construction phase for a new 600 megawatt (MW) coal-fired thermal power plant near the existing RS government-owned Ugljevik 1 TPP. The project, fully funded by Comsar's private funds, envisions the construction of two thermal plant blocks, each with a generating capacity of 300 MW with a total estimated investment of \$1.38 billion. The initial construction phase, which includes onsite workers' quarters, roads, and utilities, is complete. Comsar has not specified a completion date, but it has received the required permits for the next phase of construction and an Austrian firm is reviewing the project for compliance with European Union regulations. Project completion is currently anticipated for 2019.

In October 2015, the Federation government selected the Chinese Dongfang Electric Corporation to partner with public company Brown Coal Mines Banovici to finance and build a 350 megawatt coal-fired thermal power plant 19 miles from Tuzla. The plant will burn coal from the adjacent Banovici mines and produce 2,047 GWh of electricity per year. Construction is slated to begin in mid-2016 and the power plant should be connected to the power grid by 2020.

In September 2015, China's Dongfang Electric Corporation sent the RS government a letter of intent for cooperation in the construction of a new 350MW unit at the existing Gacko TPP. The next steps will be to initiate legal procedures needed for selecting the main contractor. China's Dongfang Electric Corporation has presented proposals for providing financing under a credit framework which may be very favorable for power utility ERS, which will be the main investor on behalf of the RS government. ERS and TPP have started the process of selecting a consultant for the feasibility study. The cost of the project has not yet been announced.

## **Renewable Energy**

### **Overview**

BiH has significant renewable energy potential, particularly in hydropower and wind power capacity. Hydropower already provides around 50 percent of the country's total electricity production and there is room for additional growth. According to a study conducted by the German government, BiH could generate up to 2000 MW of wind energy per year, primarily in the areas of Livno, Tomislavgrad, Mostar and Trebinje. This nascent industry still faces a number of regulatory and financial challenges.

### **Sub-Sector Best Prospects**

- Equipment for wind farms
- Equipment for hydro power plants

### **Opportunities**

In the Federation, there are opportunities for construction of small hydro power plants and wind powered plants, but due to lack of harmonization and adequate concession legislation between the canton and Federation-level governments, those opportunities will be somewhat limited in the near term.

In 2011, the RS government announced it would begin selecting strategic partners for construction of 24 new hydro and thermal power plants. This could create significant opportunities for sale of power generation equipment as well as possible opportunities for power plant management contracts. As of this report's publication, the projects are still on hold.

In December 2013, German state-owned development bank KfW (Reconstruction Credit Institute) approved an \$89 million loan for the construction of Podvezlje wind farm in BiH. The project will be implemented by Elektroprivreda BiH (EPBiH), one of BiH's three power utility companies. The total cost of the project is estimated at \$97 million and EPBiH will directly fund the remaining \$8 million from its own sources. The Podvezlje wind farm will have 16 wind turbines with a total capacity of up to 48

megawatts and annual power production of approximately 100 Gigawatt hours. Construction of the Podvezlje wind farm near Mostar will start in the last quarter of 2016. In the RS, U.K.-based company Kermas plans to invest \$105 million in a 51 megawatt (MW) wind park at Trusina in the municipality of Nevesinje, as a strategic partner of local company Eol Prvi. At the time of publishing this report this project is still in the pre-construction phase and it is unknown if, and when, construction will commence.

In January 2016, Bosnian company Gradina signed an MOU with the China Machinery Engineering Corporation (CMEC) and the China-Africa Investment and Development Corporation for construction of a 112 MW, 35-turbine, \$162 million wind farm near the Federation's Tomislavgrad in southwestern BiH. CMEC and the China-Africa Investment and Development Corporation are expected to invest 90 percent of the total estimated cost of the project, while the rest will be financed from local sources. Construction is scheduled to begin in mid-2016 and is expected to be completed by the end of 2017. Once completed, the wind farm will diversify energy sources and increase the share of renewables in the country's electricity production.

### **Web Resources for Energy Projects**

Elektroprivreda BiH (EPBiH)  
<http://www.elektroprivreda.ba>

Elektroprivreda Hrvatske Zajednice Herceg-Bosna (EPHZHB)  
<http://www.ephzhb.ba>

Elektroprivreda Republika Srpske (EPRS)  
<http://www.ers.ba/index.php?lang=en>

Elektroprenos (BiH Electricity Transmission Company aka Transco)  
<http://elprenosbih.ba/EN/DefaultEN.aspx>

European Bank for Reconstruction and Development (EBRD)  
<http://www.ebrd.com>

World Bank  
<http://www.worldbank.ba>

Regulatory Commission for Electricity in the Federation BiH  
<http://www.ferk.ba>

Regulatory Commission for Energy of the Republika Srpska  
<http://www.reers.ba>

BiH Electricity Regulatory Commission  
<http://www.derk.ba>

## **Mining**

### **Overview**

The country has significant reserves of brown coal and lignite. Reserves of iron ore deposits are estimated at 653 million metric tons; zinc and lead at 56 million metric tons; and bauxite at 120 million metric tons. There are two aluminum and aluminum oxide processing plants situated near bauxite mining operations. Annual coal production is approximately 8.8 million metric tons, both via open pits and casts.

### **Sub-Sector Best Prospects**

- Heavy mining equipment, including bulldozers, tractors, excavators, surface mining conveyor systems, and heavy trucks.

### **Opportunities**

In 2010, the Federation Government consolidated seven coal mines under the new ownership of Elektroprivreda BiH. The government hopes that this will pave the way for significant investments in the rehabilitation of those seven mines. Elektroprivreda BiH has committed to investing \$497 million in rehabilitation of the mines, primarily through heavy mining equipment procurement and upgrade that should increase the coal mines efficiencies. The procurement process has been slow due to lack of available funds and as of this report's publication most of the planned equipment has not been purchased.

## Telecommunications Industry

### Overview

As of January 1, 2006, BiH liberalized a limited portion of its telecommunications sector for fixed telephony and international calling services. This led to the emergence of nine private fixed telephony service providers. Information about the sector's regulatory framework and latest activities can be found at the website of the BiH Communications Regulatory Agency ([www.cra.ba](http://www.cra.ba)).

Bosnia's telecommunications sector, similar to electric power production and other infrastructure, was divided along ethnic lines following the 1992-1995 war. In the Federation, service is split between the Sarajevo-based BH Telecom in Bosniak-majority areas and Mostar-based HT Mostar in Croat-majority areas, while Banja Luka-based Telekom Srpske's fixed lines cover the entire territory of Republika Srpska.

Telekom Srpske was privatized in December 2006 via a sale to Telekom Srbija, the dominant fixed-line and mobile telephone provider of Serbia, whose government owns a controlling interest in the parent company. The Federation government owns controlling shares in BH Telecom and HT Mostar. The CRA awarded the three operators 3G licenses in April 2009. The mobile phone market currently is estimated to have around 90 percent market penetration. Telekom Srpske's mobile phone subsidiary m:tel has been expanding steadily both in the Republika Srpska and in the Federation. BH Telecom's subsidiary BH Mobile and HT Mostar's Eronet still have dominant positions in their traditional market areas.

Since the beginning of the liberalization process in 2007, the CRA has awarded 13 licenses to private fixed telephony providers, 66 licenses to private Internet Service Providers (ISPs) and 75 licenses to private network operators, mainly cable television operators. A notable development is the appearance of broadband Internet service deployed via cable television. The CRA anticipates that many of the ISPs will venture into Voice over Internet Protocol (VoIP) business now that international voice service has been liberalized. One VoIP provider, U.S. company AirABA, is already active in the BiH market. In years to come, more providers will be able to offer a "triple package" of phone, internet and cable service.

The U.S. company Kohlberg, Kravis, Roberts (KKR) became the largest U.S. investor in BiH with its purchase of United Group (SBB/Telemach) on March 6, 2014. Through this deal, KKR now owns two BiH companies: Telemach BiH, which specializes in cable television and broadband internet services; and Total TV, a satellite television company.

Bosnia and Herzegovina's Communications Regulatory Agency (CRA) has published data on the country's communications markets for the year ended 31 December 2015, revealing that mobile subscriber numbers fell by 1.4% against the same date a year earlier. According to the regulator's statistics, there were a total of 3.443 million mobile subscribers in the country at the end of 2015, with a 10.1% increase in post-paid accesses – which totaled 768,784 – failing to offset a 4.2% drop in pre-paid subscribers to 2.675 million. BH Telecom remains the sector leader, accounting for 44.89% of the nation's mobile subscribers at end-2015, with fellow network operators Telekom Srpske and HT Mostar retaining their second-placed and third-placed spots with 40.73% and 13.94%, respectively. Meanwhile, at the end of 2015 there were four active MVNOs in Bosnia and Herzegovina, though none have yet to make any real inroads in the market; of the quarter IZI Mobile remains the largest, though it accounted for just 0.32% of the nation's mobile subscriber total, while Blicnet, Logosoft and Telrad all had less than 0.10% apiece.

In the fixed line arena, total voice connections declined by 1.8% to 779,353, with the nation's three 'dominant' operators – BH Telecom, Telekom Sprkse and HT Mostar – controlling the majority (89.9%) of those between them. With regards to fixed broadband, meanwhile, accesses increased by 1.3% against the previous quarter (the CRA did not publish a year-on-year comparison figure) to 634,987. DSL-based connections remained the most popular access type, with 372,767 subscribers signed up to such a service, with cable-based broadband trailing with 200,972 subscribers.

According to Business Monitor International's (BMI) Bosnia-Herzegovina Telecommunications Report, BiH's telecom market remains one of the least developed in Central and Eastern Europe and as such represents a significant growth opportunity for operators and telecom equipment vendors. Meanwhile, BMI believes higher value services, especially mobile data and postpaid subscriptions, will be major growth drivers as operators attempt to capitalize on the improved outlook for economic growth.

### **Sub-Sector Best Prospects**

- Telecommunications equipment and services for the expansion of existing networks including mobile, fixed line, and broadband

### **Opportunities**

The aforementioned operators remain the best opportunity for marketing goods and services. Their near monopoly position in mobile telephone services will continue to generate sufficient revenues to finance expansion and modernize their networks.

The companies face the challenge of migrating from technologies traditionally supplied by Ericsson and Siemens to Internet-based technologies. All three incumbent operators have in their development plans the acquisition and deployment of the following technologies/services: IP/MPLS, VoIP, 3G, GRPS, EDGE, and UMTS. In addition, they are looking to expand existing broadband access networks, to include xDSL, Ethernet WAN, Ethernet Metropolitan Area Networks, Wi-Fi, W-LAN, among others.

The rapidly growing cable television sector also provides opportunities for investment. The liberalization of VoIP could signal the next big development in BiH and may present a significant business opportunity. The ISPs and cable television operators are expected to play a significant role in providing the VoIP service in the future.

In accordance with EU standards, all television stations in BiH must begin digital broadcasting in 2015, providing an opportunity for U.S. sale of digital broadcast and ancillary equipment. Five informative-technical centers throughout the country will be linked to public broadcasting services' digital connections and transmitters to cover the cities of Sarajevo, Banja Luka, and Mostar with digital signals. The digitization will include three public broadcasters, which will cost about \$30 million after all phases of the project are complete.

The incumbent operators are required by law to conduct open public tendering procedures for the purchase of goods and services. Procurement notices can be found on the companies' websites listed below. The best way to access these opportunities is via some form of local presence, either direct or through agents and distributors.

### **Web Resources**

BiH Communications Regulatory Agency (CRA)  
<http://www.rak.ba>

BH Telecom  
<http://www.bhtelecom.ba>

Hrvatske Telekomunikacije (HT) Mostar/HT Eronet  
<http://www.eronet.ba>

m:Tel  
<http://www.mtel.ba>

## Transportation

### **Road Transportation**

#### **Overview**

BiH's road infrastructure is fairly poor and underdeveloped. At the time of this report's publication, BiH has 105 kilometers of usable motorway. Trunk roads and regional roads, with a total length of 8,501 km, represent the country's core road network. BiH is focused on finishing Corridor Vc, the only major highway that connects north and south BiH in a single stretch. Once completed, the highway will link BiH with European road networks. The Corridor 5c project, a major road construction project that has made some progress since it was first designed, is a part of the Trans-European ground corridors network. Its final design will connect the central part of the Adriatic Sea coast and Budapest, Hungary. The proposed project will run 336 kilometers in BiH from north to south. The Bosnian Government has taken out multiple loans from lenders, primarily European Bank for Reconstruction and Development (EBRD) and European Investment Bank (EIB), to fund the construction of the Corridor 5c.

Corridor 5c's central objectives are BiH's inclusion into Europe's main traffic flows, as well as easier access to the European marketplace. Experts predict that the motorway will be the prime mover of economic activities in BiH and should enable connectivity to its neighboring countries and regions. Historically, advancement in this sector has been impeded by issues concerning inter-entity coordination, the absence of a coherent strategic vision, political obstructionism, and a lack of funding. Though progress is discouragingly slow, highway construction is ongoing.

#### **Opportunities**

The best opportunity may lie in the two most difficult segments of the project – the 60 kilometer stretch from Doboј to Zenica (north of Sarajevo) and the 125 kilometer stretch from Tarcin to Bijaca (the southern end point). The estimated cost of construction for those two segments is approximately EUR 2 billion. Procurement of construction equipment, such as asphalt patchers, bulldozers, backhoes, cranes, excavators, and mowing equipment as well as other road construction equipment, present significant opportunities as the construction of Corridor 5c continues.

#### **Web Resources**

BiH Ministry of Transport and Communication

<http://www.mkt.gov.ba>

Road Directorate of the Republika Srpska

<http://www.autoputevirs.com/>

Road Directorate of Federation of Bosnia and Herzegovina

<http://www.jpautoceste.ba/>

### **Rail Transportation**

## Overview

A modernized railway system is needed in order to alleviate the traffic burden on BiH's inadequate roads. The BiH rail system is divided, weighed down by excess employees and hampered by poor and aging infrastructure. The total length of operational railway tracks in BiH is 1,031 km. Major users of the railway transport system are large industrial plants (such as the chemical plant in Tuzla and Mittal Steel plant in Zenica), coal mines (Zenica, Tuzla, and Prijedor), the Aluminij aluminum plant in Mostar, and oil distributing companies (INA, Energopetrol, and OMV). Passenger railway traffic is very limited due to lack of modern and comfortable coach cars.

Rail transport in Bosnia and Herzegovina is operated by two companies: Željeznice Federacije Bosne i Hercegovine, which operates in the Federation and Željeznice Republike Srpske, which operates in the RS. The entity companies manage the infrastructure and provide transport operations for both freight and passenger service within their borders. Priorities for the railway sector in both entities are reconstruction and modernization of infrastructure and purchase of new locomotives and coach cars. While there is some cooperation, inter-entity politics plays a large role in rail transport.

## Opportunities

The Federation Railways bought new Spanish "Talgo XXI" passenger trains (\$95 million value) in 2011. The trains, known for their high operational speed (up to 300km/hour), were never put to use since the current rail tracks in the Federation limit speeds to 60 kilometers per hour. The RS Railways also purchased several new Spanish "Talgo" trains and has announced that the company is planning to significantly upgrade the existing railway infrastructure in the near term. Reconstruction and modernization of rail infrastructure, such as signalization equipment and rail track upgrades, will remain the focus of both railway companies.

## Web Resources

BiH Ministry of Transport and Communication

<http://www.mkt.gov.ba>

Railways of Federation of Bosnia and Herzegovina

<http://www.zfbh.ba/zfbhenx>

Railways of Republika Srpska

<http://zrs-rs.com>

## Information Technology (IT) Equipment and Services

### **Overview**

BiH's fragmented public sector is the largest customer for IT equipment and services in BiH. It is followed by the financial sector and telecommunications sector. Retail sales are also recording growth due to the expansion of shopping malls and retail stores. While IT spending in the financial and telecommunications sectors will likely continue to grow, the largest share of prospects and opportunities will remain in the public sector due to BiH's myriad government offices and agencies. Generally, the government, private and public companies and commercial banks are highly receptive to U.S. computer technology. Local experts predict strong spending in the IT security and data protection segments in the coming years. As more customers implement integrated product solutions for security and protection, corresponding services that follow the same model are likewise in demand.

According to the BiH Customs Agency, in the past four years BiH imported over \$50 million of U.S. Information Technology equipment. Many major U.S. companies have established a full-time presence in the market, either directly or through an authorized network of resellers and distributors, including Cisco, Hewlett Packard, Microsoft, Oracle, IBM, Intel, and Dell.

### **Sub-Sector Best Prospects**

- IT services
- Hardware sales
- Software, including Enterprise Resource Planning (ERP) and Customer Relationship Management (CRM) solutions
- Broadband infrastructure

## Medical Equipment

### Overview

The majority of medical equipment suppliers in Bosnia and Herzegovina are EU-based manufacturers (primarily Germany and Italy). However, in recent years, U.S. manufacturers such as GE Medical and Medtronic have made significant headway in supplying U.S. technology in hospitals throughout the country, specifically diagnostic-imaging equipment in the clinical centers in Sarajevo, Tuzla, Banja Luka, and Mostar.

The Entity and Cantonal Institutes of Health Insurance administer healthcare systems which are funded through compulsory payroll contributions from both employers and employees. BiH's health care system is predominantly publicly-funded; however, there are an increasing number of private practices. The RS also has some Private Public Partnerships (PPP) in the health care system, but the Federation still lacks a law to allow PPPs in any industry.

U.S.-manufactured medical equipment enjoys an excellent reputation in BiH for state-of-the-art technology, quality, and reliability. The medical equipment market is very price-sensitive.

### Opportunities

The best sales prospects for U.S. medical equipment include cardiovascular diagnostic equipment, non-invasive surgical devices, anesthesia and intensive care equipment, diagnostic imaging (CTs, MRIs), radiation therapy equipment, ultrasound equipment, urology equipment, laboratory and testing equipment, and tissue and blood bank related equipment. There are also good prospects for products such as ultra-violet/infra-red equipment used in medical, surgical, dental, as well as apparatuses based on the use of X-rays of alpha, beta or gamma radiation treatments.

Opportunities also exist for U.S. manufacturers of sophisticated diagnostic equipment such as electrocardiographs, endoscopes, scanners, imaging equipment, pace makers, digitalized x-ray equipment, nuclear medicine instruments, and clinical laboratory equipment. Diagnostic imaging equipment, especially ultrasonic diagnostic equipment, and dialysis equipment are in great demand.

### Web Resources

Ministry of Health of the Federation of Bosnia and Herzegovina  
[www.fmoh.gov.ba](http://www.fmoh.gov.ba)

Ministry of Health and Social Welfare of the Republika Srpska  
<http://www.vladars.net/eng/vlada/ministries/MHSW/Pages/default.aspx>

BiH Agency for Medicines and Medical Devices  
<http://www.almbih.gov.ba>

## Agriculture

### Overview

BiH has approximately 1.6 million hectares of land suitable for cultivation. Domestically, the sectors with the best natural resources that are available and productive are fruits and vegetables, livestock, and poultry. The most important crop is corn followed by wheat and barley. Small, low-output, family farms averaging 2-5 hectares characterize agricultural production along with low input use (fertilizers, chemicals, and certified seeds), older crop management and post-harvest management practices, and poor railway and road infrastructure. The agricultural sector's share of GDP is approximately 8 percent. The World Bank shows agriculture's share in BiH's economy as decreasing from 15.1 percent in 1999 to 8.4 percent in 2014. This decline is the result of the global financial crisis and the impact of the May 2014 floods. Agriculture accounted for 19.6 percent of total employment in 2013 (most recent data available). Agriculture remains mostly in private hands, but farms are small and inefficient, and the country remains a net importer of food. In 2015, agri-food imports totaled \$1.62 billion, while exports were valued at \$477 million. Agricultural products only represent approximately 7 percent of exports, but they represent 18.5 percent of total imports. Primary imported food products include beverages (alcoholic and non-alcoholic), grains, tobacco products, and meat and dairy products.

### Bilateral Agricultural Trade 2015

<u>Total US Exports to BiH: \$7.89 million</u>	<u>Total US Imports from BiH: \$3.64 million</u>
Coffee \$3.13 mil.	Coffee \$0.95 mil.
Various nuts \$1.37 mil.	Cookies and pastry \$0.73 mil.
Seafood \$1.32 mil.	Processed fruits & veg. \$0.34 mil.
Various food ingredients \$0.82 mil.	Alcohol drinks \$0.27 mil.
Beans \$0.35 mil.	Mineral water \$ 0.24 mil.
Pet food \$0.13 mil.	Sugar \$0.08 mil.

U.S. exports to BiH consist primarily of consumer products, while U.S. imports from BiH also are mainly high value food products. Most U.S. origin products are transshipped to BiH through neighboring countries and therefore may not appear as a U.S. origin import; thus, actual U.S. exports are likely considerably higher than indicated above.

### Agri-food Sector

	2014	2015	2016 (Estimated)	2017 (Estimated)
Market Size	2,523,003	2,187,804	2,200,000	2,215,000
Local Production	1,120,000	1,040,300 (est.)	1,050,000	1,065,000
Imports	1,852,050	1,624,282	1,640,000	1,650,000
Exports	449,047	476,778	490,000	500,000
Total Market Size	2,523,003	2,187,804	2,200,000	2,215,000

\$US thousands (*total market size = (total local production + imports) - exports*)

### **Export Opportunities**

U.S. export opportunities include live animals and meat, processed and fresh fruits and vegetables, alcoholic drinks, grains, mineral water, confectionary products, feed, and animal genetic products.

In 2015, BiH's imports of live animals and meat were valued at \$218.8 million and primarily came from Serbia, Poland, the Netherlands, and Germany. Meanwhile, BiH's meat and live animal exports were valued at \$80 million. BiH's meat industry has an annual capacity of 60,000 metric tons (MT), which is largely dependent on imported frozen meat for processing. BiH doesn't allow the importation of meat that has been treated with growth promoting hormones and/or ractopamine.

In 2015, fresh and processed fruit and vegetable imports reached \$166.3 million, while exports were valued at \$84.5 million. The most imported products were bananas (\$22.8) and citrus fruits (\$20.7), and the most important suppliers were Croatia, Greece, Turkey, and Italy.

The value of imported alcoholic drinks in 2015 was \$92.3 million, while exports totaled only \$4.8 million. Beer topped the list, with imports valued at \$83 million mainly from Serbia, Croatia and Slovenia. BiH's beer exports were valued at a modest \$0.8 million.

BiH does not produce enough grains for its needs and is highly dependent on imports. In 2015, BiH imported 359,362 MT of wheat valued at \$74.5 million mainly from Hungary, Serbia, and Croatia. In the same year, BiH imported 258,620 MT of corn valued at \$51.3 million. Approximately 96 percent of the imported corn came from Serbia.

Despite the country's abundant water reserves, BiH spent \$74.3 million on mineral water imports during 2015. Although BiH is among the richest countries in Europe in terms of natural resources of drinking water, BiH's market is saturated with bottled water imports. BiH imports mineral water mostly from Serbia, Croatia, and Slovenia.

In 2015, the value of imported confectionary products reached \$65.4 million, while the value of exported products only totaled \$30.5 million. Imported confectionary products mainly came from Serbia, Croatia, Belgium, Switzerland, and Turkey. Although the domestic confectionary industry has improved lately in terms of quality and quantity produced, it has been adversely affected by changes in raw material prices, difficult local market conditions and strong foreign competition.

In 2015, imports of soybean feed preparations reached 116,697 MT valued at US \$47.5 million, of which 75 percent came from Brazil.

The annual market for bovine semen is estimated to be about 350,000 - 400,000 doses annually. Domestic production is approximately 150,000 doses. Bovine genetic imports come mainly from European countries (Austria, Germany, Slovenia, and Croatia). Import tariffs range from zero to ten percent for animal genetics. Market opportunities exist for U.S. exporters of premium genetic material, including embryo transfer. There is a need for genetic improvement of BiH's dairy herds to increase milk and meat production and create higher income for the rural population.

Agricultural Biotechnology Acceptance: Currently, the Law on Genetically Modified Organisms (GMO) sets the conditions for the limited use, importation, and deliberate release into the environment and

marketing of products that are composed of GMOs, contain GMOs, or are derived from GMOs. Imports of approved genetically engineered (GE) products are permitted, if approved by the Food Safety Agency. To date, 25 GE feed importers have received permits for market GE soybeans. A GMO free certificate or a GMO-related statement is often required as part of the import process for grains and similar products. Products containing approved GMO content above a threshold of 0.9 percent must be labeled. There currently is no policy on the import, labeling, and traceability of genetically engineered (GE) animals and clones, including animal genetics. However, as part of its EU accession aspirations, BiH's continues to harmonize its sanitary and phytosanitary requirements with EU regulations.

### **Web Resources**

The U.S. Department of Agriculture's Foreign Agricultural Service (FAS) provides information to buyers looking for U.S. agricultural genetics, bulk and processed commodities, food, and beverage products. FAS also gathers market information and offers market briefs to help U.S. firms better understand the local market. For more information on the U.S. Foreign Agricultural Service please see:

<http://www.fas.usda.gov/> and <http://sarajevo.usembassy.gov/fas.html>

For more information on food import requirements and certification, please see:

[Food and Agricultural Import Regulations and Standards \(FAIRS\)](#)

[FAIRS Export Certificate Report](#)

[Exporter Guide](#)

For other FAS reports on specific commodities, please see the following website:

[Global Agricultural Information Network](#)

BiH Veterinary Office

<http://www.vet.gov.ba>

BiH Agency for Statistics

<http://bhas.ba>

Federation Institute for Statistics

<http://fzs.ba/>

Republika Srpska Institute for Statistics

<http://www.rzs.rs.ba/>